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One of Our Civic Responsibilities

Businessmen, in the postwar period, should take more seriously their citizenship responsibilities. Time was when we could concentrate all our energy and effort on our business problems. Business will still demand our very best efforts, but we do have a collateral responsibility of citizenship that we can no longer neglect.

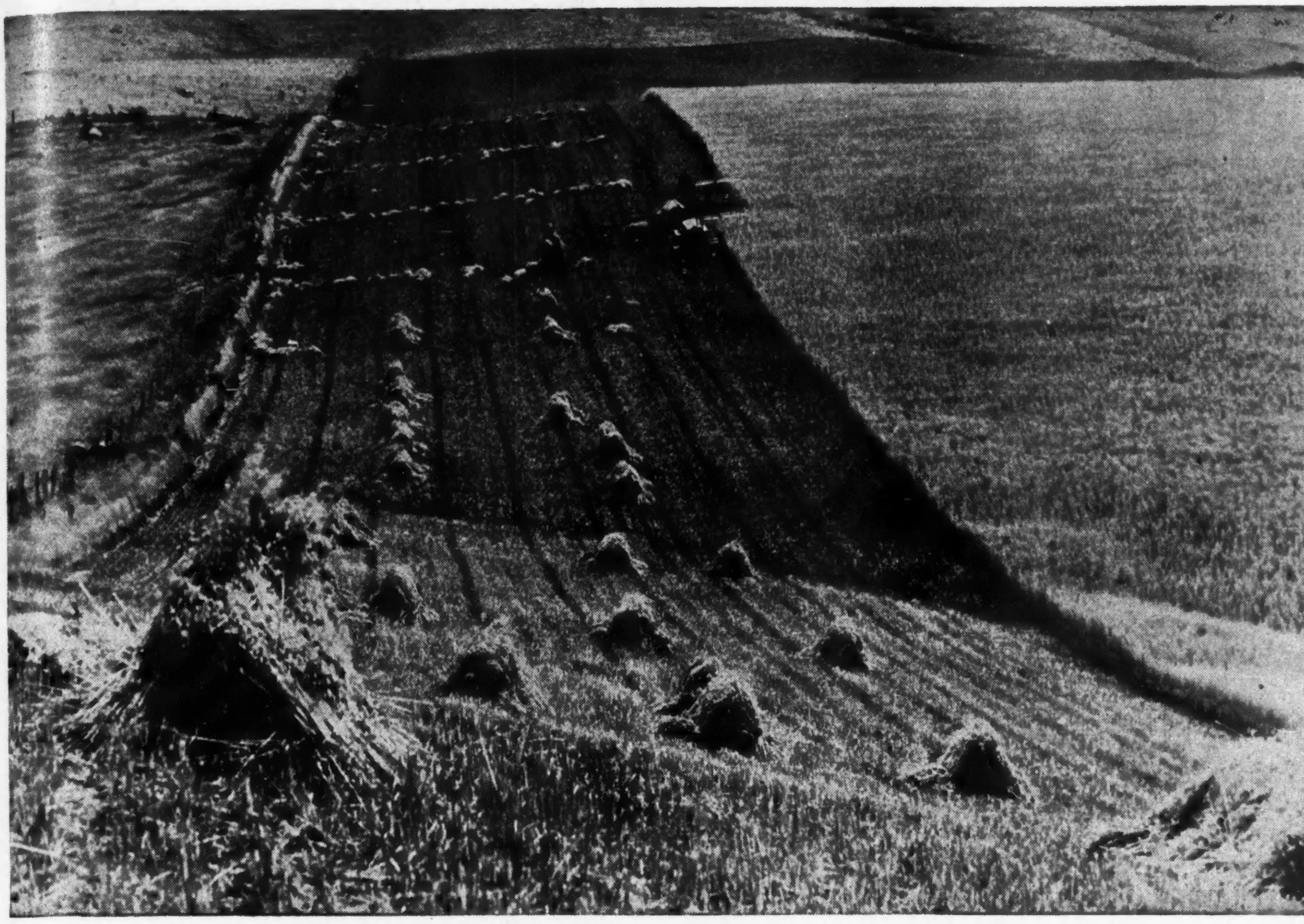
One of the subjects to which businessmen of tomorrow should give a considerable amount of time and attention is the matter of education of our youth. Businessmen have no right to take over the direction of our educational system; nor has the Government; nor has any of the special groups. But businessmen do have the right and the duty to contact our educators and make clear to them the real purpose and objective of business. They do have the right to insist that the youth of this land be given an opportunity to study all phases of economics, so that when they mature, they can make their own evaluations of our various economic programs.

Many people believe that if business had gotten more interested in education in years gone by, some of the very adverse and uneconomic business legislation that originated in the classroom of yesterday and is harassing business today would not have come to pass.

One of the postwar resolutions, therefore, of men engaged in industry and commerce should be a real public relations job on the objective of business and this should be emphasized in the field of education.

Henry H. Heimann

Henry H. Heimann
Executive Manager



Harvest Time

There is a time of planting and a time of harvest.

Now, in this autumnal season, we can see about us the full harvest—so important in the winning of victory. These crops, so carefully planted, were harvested only after they had reached their full maturity.

This planting and harvesting process can be, indeed should be, applied to the purchase and holding of Victory Bonds.

Most Americans have invested their funds in U. S. Government Bonds, earmarking that money for a definite future purpose. To cash them prematurely, is to defeat the objectives for which they were purchased.

When these bonds are cashed to make unnecessary purchases of goods under present conditions, the purchaser gets less for his money and dissipates funds intended for specific uses.

Next time you think of cashing in your bonds—think of the day when you will get your money's worth and *more*. Hold them and remember why you bought them.

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Who Will Be Your Postwar Customers?

What Will They Want to Buy? Will You Be Able to Sell at a Profit?

By HENRY H. HEIMANN
Executive Manager, National Association of Credit Men, New York City

Of even more importance than who are going to be your postwar customers is the question, "What will your postwar customers want?" You may in your own mind and in your own organization feel that what they want are the things or goods they couldn't get during the war. In this analysis you are partially right. But if you conclude they will want these goods or services to be identical to what they were prior to the war, you may be in for a bitter disappointment.

There is no more important matter for a business organization than to give study to its products for the postwar period. It should search for ways and methods to improve that product. If your customer of a few years ago told you the product you made fitted his needs exactly, don't assume it will do so in the years ahead. You may think it funny to analyze your products in view of such a statement by your prewar customer, but remember his ideas and those of his associates may have undergone radical changes.

Suppose you start out by analyzing the product which gave you an advantage over competitors in the prewar period. How should you evaluate it now? Make a simple analysis to find out whether, first, the product is one that will still be acceptable, and, secondly, is it a product that war technique in production may enable you to improve. In other words, put it in a gold fish bowl and see whether it is actually what your postwar customer and his customers still will rave about. If your product appears to be a standard that has been accepted as the best in the market for a period of about 20 years, then it particularly behooves you, above everything else, to start right in on this analysis. The chances are that even the most acceptable article of 20 years ago will be passe in the inventory of tomorrow. I know you hate to do this because you have the natural aversion to change, but it is better that you do this now than that you suffer a loss of customers and a loss of sales volume later.

Price Will Be a Factor

Another thing your postwar customer is going to consider pretty carefully is the price at which you are offering your products. War prices must be forgotten. Remember you are going to face a very strong competition in the postwar world. Unless your prices are right, you will be bypassed in commerce.

Your prices can't be right if you still have war production ideas or extravagances. The first thing you must do is to liquidate these. Sure, it will be hard, but that is the price of success in business. If it were easy, everybody would be in business. If you want to get ideas of what you must do on your overhead costs, just take your best prewar year and try to get back down to that figure as far as costs are concerned.

The third warning is, don't get too optimistic about what your profits are going to be. If you want to evaluate your possible profit picture examine your prewar business, look up and see what your gross profit was before taxes, and then apply the postwar tax schedule against it. This may give you a rude awakening. You probably need it.

In making your postwar sales plan, remember that there will probably be a great development in the matter of credit sales. The whole tendency is to make the expenditures of an individual conform to the regularity of the pattern of his income, as to means and methods of payment. Installment and part-payment sales are going to expand. You had better plan a credit program along these lines, and when you are planning, be sure and consult your banks or a finance company because it is going to take money to finance your sales in the postwar period.

Many Points to Consider

Perhaps during the war you had to renew your lease. The chances are your landlord would not give you a very long renewal. He was restricted as to his rent adjustments by the law of the nation. If you are face to face with this situation, don't commit yourself for too long a period of time on your new lease. If you do, you may be in trouble. When you do commit yourself, if you are in the retail or service fields, it will be better for you to base your rental on the volume of your sales.

Of course, you will need help in your business in the postwar period. In this connection remember that we are living in a world revolution. Get busy and schedule some way in which your clerks or your salesmen can progress with you. It will make for a happier personnel, and it will build good will for your business.

Many prewar items that were a substantial part of the cost of your doing business have been abandoned in the war emergency. Take the matter of delivery

service. Before you resume these services, and competition no doubt will force you to reinaugurate them, you had better carefully analyze costs. Distribution costs in the postwar period are going to have to be weighed very carefully. In your analysis of these costs remember that they must be reflected in your sales price if you are going to maintain the proper ratio of profit and if they are too burdensome, you may be in trouble.

Labor Costs to Increase

Business in the postwar period is going to be even more difficult than it has been in the past. You may not have much trouble making sales in the first few years because people are so short of goods, but you are going to have a real problem to try and maintain a reasonable dollar profit on sales. All of your labor costs are going to be higher and your tax costs are going to show a tremendous increase over prewar figures. Unfortunately, your sales price in many cases will be restricted and some of the prices of your products may even temporarily be frozen. All of this constitutes a pincer movement against your profit account. This movement is worldwide. You must be very ingenious and resourceful to try and off-set this.

In the prewar world you may not have had to pay much attention to various ratios of your expenditures to your sales. That is to say, you may have had a reasonable leeway, and if one item was a bit on the high side, you might have been able to off-set this by economies in other directions. The result was your overall picture was satisfactory. However, two of your very large items of postwar costs are beyond your control. I refer to labor and taxes. The demand for increased wages is going to be worldwide and that is going to reveal itself in the cost of your goods or your services. The cost of Government has skyrocketed. That means much more of a tax bill. The only thing you can do on the tax bill is try to discharge your duties of citizenship by constantly putting pressure on your Representatives to keep their expenditures of Government consistent with value. The only item of cost on which you are free to concentrate are other indirect or non-productive costs. In the usual business, these totals are too limited to provide you the opportunity to off-set the known increased costs of labor and taxes.

Can You Increase Production?

In the manufacturing business, the only possibility you have to really answer the problem of increased labor costs is to try to develop better means of production. In this you need the cooperation of labor. If a day's work is restricted as to output by arbitrary limits or Union rules, once again you are stymied. The problem, therefore, is not easy of solution. On the whole, even your best efforts will probably show you a lower return on your capital investment and certainly a lower per dollar of sales net profit.

This analysis may seem pessimistic to you, but remember there are many favorable factors, the greatest of which is the tremendous shortage of all types of goods and materials, a desire to fill these long-needed wants, and the possession of so much money by so many people that they can restock. This means a large present market. Therefore, if you are alert and ingenious, your business returns should be satisfactory and your business profitable.

Mr. Heimann's article appears also in the October issue of *Time Sales Financing*, the official publication of the American Finance Conference. After you read this article, we suggest that you pass it along to some of your other executives.—The Editors.

You will have many new postwar customers. If you are in the manufacturing business, some of these postwar customers may be people who have gone into business during the war and have worked on Government orders. It is one thing to produce Government orders and quite another thing to produce in a competitive market. It is one thing to finance a business with private money and quite another to get the money from the Government. You must, therefore, determine in your own mind after a careful analysis whether your customer has financial responsibility. What is equally important, how does his capacity for management measure up in a postwar period?

The "Three C's" Still Apply

Credit executives usually evaluate a customer as to his credit acceptability on the basis of three factors. First, what is his Character? Second, how much Capital does he possess? Third, what is his Capacity?

You won't want any black market operators for your customers, but you may unknowingly have some of them on your list. If you do, remember that the Capital he has in his business may vanish overnight. The Government may catch up with him some day, and his capital, being from ill-gotten gains, will be subject to confiscation, or taxation, or penalty forfeiture. Aside from that, at the very outset you know he lacks Character, and that being true, in the end he is not going to be a desirable customer. As to his Capacity, if he can't make a success in his business in a legitimate way, then he is also lacking in this regard.

On the other hand, there will be many business people and customers who got started during the war who will prove to be very worthwhile customers. These you should cultivate. Your customers in the postwar period must receive and deserve more attention than your prewar customers. You must help them more to make a business success. If you are in the manufac-

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Mind Your Business

Sell Your Character and Policies to the Public

By W. C. NORTH
Credit Manager, Breyer Ice Cream Co., Newark, N. J.

It must be puzzling to the laymen to figure out why big business with its super salesmen can sell everything under the sun to the public but itself.

The very words, big business, seem to carry a disparaging sound that reverberates with badness. Why? There must be a reason why this condition prevails. Surely a thing is not bad merely because it is big. The American people are too smart to believe that. Yet when you put the two words together, everyone expects to listen to or read about the exploitation of employees or the gouging of the public.

Then what is the reason or reasons? The first is that big business has permitted the demagogues and rabble rousers who connived this synonym to go unchallenged and unanswered before the public. The second is that the psychological attack on this problem by business has been wrong and the method has been distasteful to the public. You can't correct it with conferences behind closed doors, or indirect methods, or radio cavalcades or Horatio Alger stories of rise of executives. You can't do it by being afraid. Afraid of becoming involved in political issues, afraid to take a stand. The public is suspicious of undercover tactics and it abhors cowardice.

While business fears the loss of customers by taking a stand, the rabble rouser is quoting the executive's salary and offering for the public's sympathy the heads of poor families chopped off the payroll by a new labor-saving machine.

Big Business Is Challenged

Big business has been challenged, it's got a fight on its hands, and it's got to do something about it or it won't exist as private business very long.

Little business grew to big business in America as free enterprise. It grows in the fertile soil of sound and practical government economy and fair labor standards. It flourishes only as the people prosper. Any trend away from the fundamental principles which made this growth possible is not only a threat to business, but is also a threat to the general welfare of all the people. From the factories of big business emanates the payrolls which stabilize the homes and on the security of these homes rest the stability of our government.

The high standard of living we have today is the result of business accomplishment, and the higher standard possible in the future will be the product of industry. In the research laboratories provided by America's big business, science has made strides that have improved every phase of human existence. The span of life itself has been lengthened, and more events, and things have *not* been crowded into it, but rather have been comfortably and conveniently made available to you to take or leave at your own discretion.

In every field of endeavor, in every walk of life, business, yes, big business, has played a commendable part and yet it hesitates to speak out in its own defense. It hesitates to thwart policies and trends detrimental to its welfare. This chicken-hearted policy on the part of business will produce results like the doctor who lets ten mothers die because he can't bear to lose a sick infant.

What Hurts Business, Hurts You

Passively business says, what is good for business is good for you. Add the rest to it, what hurts business, hurts you. Come out fighting, come out in the open and be admired by the public. Show up the rabble rouser shouting for equality. No one wants equality. The wise man seeks first liberty, then independence and with these as shields aspires not to equality—but to supremacy. Unmask the share-the-wealth campaign for what it is; a spend the other fellow's money trick. Expose the fallacy in the theory that the problem of taking care of those *unwilling* to take care of themselves is the same as the problem of those *unable* to provide for themselves.

It is true that both of these groups present an obligation to Society, but it is certainly not true that they should be treated alike nor viewed as one aspect. Society's dole or pension to one who has been handicapped by an act of God or by any misfortune beyond one's control shall certainly not be the same as one whose dependence has been brought about by plain laziness, gross extravagance, or abusive use of liquors or any other vices. The reward to a life well spent must not be the same as the life abused. Diligence and thrift must not become synonomous with sloth and extravagance. Honesty must be rewarded and dishonesty penalized. We cannot reverse this order without demoralizing civilization. It is not a case of being cold-hearted so much as it is being chicken-hearted.

Shall we send our sons out into the world and say,

"My Son, be wise and make my heart glad," or shall we say, "Go on boy, have a good time, the world owes you a living." If we tax diligence for the benefit of indolence we shall all soon become lilies of the field who "toil not, neither do they spin."

Small Business May Become Big

Every man who starts a little business for himself hopes that it will grow into big business. He doesn't hope to be crowned with condemnation for having succeeded. The merit and virtues of good business do not diminish with its growth. These attributes grow with the business and spread their benefits far beyond the market place.

It is the duty of management to see that its good name, its good character and its policies are sold to the public. Every salesmanager has an obligation to his company to see that his salesmen sell these things as well as the products and services of his employer. If he, the salesman, is not equipped or qualified to do this, or if he lacks the inclination, then he cannot do a thorough sales job with your product because the emotional spirit which provides enthusiasm is lacking. A salesman without enthusiasm just doesn't exist. He may be on your payroll, but he doesn't belong there. He is not in his groove and you are not helping yourself or him by maintaining him.

The public is fair when presented with unbiased facts, but it's easily swayed, and as long as the swaying is done by demagogues, rabble rousers, and professional class agitators, then we can expect the bigness of business to be construed as an evil.

Every employee of big business should be a public relations representative and he will be if he is made to feel that he's a part of the company. If a man's not proud of the company he works for, then something is wrong. It's your problem, Mr. Big, and it's not going to solve itself or be solved by little men.

How to make employees your good-will representatives, and how to make them feel they are a part of the company poses a personnel problem which is a subject within itself and one of growing importance. In conclusion, here are two thoughts on this personnel problem for big business leaders to consider:

> For your continuance in business in the future, it will be as necessary for you to have financially sound employees as it is to have financially sound customers.
>
> Secondly, you can't buy the good will of an employee any more than you can buy or bribe a good customer.

And so I say, "Mind Your Business," because it is your business and it won't be unless you do mind it!

Can Free Enterprise Survive?

Industry Faces a Stern Test in the Postwar Economy

By DR. J. STEELE GOW
of Falk Foundation for Economic Research, Pittsburgh

It may be that I am undertaking too much in attempting to deal with a matter as broad and complex as the panorama of problems which our postwar economy will bring us. However, out of respect for the limits of my capacity and also to avoid boring you, I shall not attempt to discuss specific problems in detail. The problems are too many and too varied, and any selection I might make for detailed discussion would be almost sure to omit some of greatest interest to you as individuals.

I shall divide my time about evenly between two approaches to my topic. First, I shall list some representative problems which seem to me to stake out the broad general area in which intelligent policy and action will be required if we are to have a sound and dynamic economy after the war. The list will be quite long, and I shall have space to do no more than identify the problems.

I find it convenient to list the specific problems in two groups, on a time basis. The first group is composed of the problems in reconverting our economy from war to peace. The second group is made up of problems involved in the long-term development of our economy.

I have selected ten problems which, in my judgment, typify, although they do not exhaust, the issues we shall encounter in making the transition from war to peace:

1. Termination of War Contracts.
2. Disposal of Government-Owned Surplus War Goods and Materials Which Are Convertible to Civilian Use.
3. Disposal of Government-Owned War Plants, Equipment, and Real Estate.
4. Reemployment of Discharged Servicemen and War Workers.
5. Prevention of Postwar Inflation OR Deflation.
6. Relaxation of War-Time Economic Controls.
7. Termination of War Taxes.
8. Restraint of Postwar Strikes.
9. Reestablishment of Trade With Other Nations.
10. The Postwar Role of Lend-Lease.

Problems of the Long-Term Economy

Here again I attempt only a list which is typical rather than exhaustive. Several of the long-term problems are closely related to, if they are not extensions of

the problems of the transition period; but in the long-term setting they require treatment which looks far ahead.

1. Tax and Other Fiscal Policies.
2. Labor Policies.
3. Price Policies of Private Enterprise.
4. International Trade Policies.
5. Foreign Investment Policies.
6. Agricultural Policies.
7. The Government's Postwar Use of War-Built Plants.

A Test for Private Enterprise

The most mistaken assumption we can make is that we shall continue to have free private enterprise in this country indefinitely just because we have had it throughout our nation's history. Indeed, developments during the past twelve years compel us to note that our private enterprise system faces a severe struggle for survival. Twelve years take us back to 1932-33, when we were in the lowest depths of the depression and there has just come into power in Washington a new administration which immediately took vigorous steps to manage the economy in the interest of quick recovery and, it must be admitted, in the process to promote rather extensive economic reforms.

The devices it employed are remembered by all of us. To list only a few, there were the devaluation of the dollar, the N.R.A., the W.P.A., the C.C.C., the A.A.A., the Wages and Hours Act, the National Labor Relations Board, the Securities and Exchange Commission, and so on. Looking back, we must admit that each of these devices was readily accepted by the American people in the hope that it would help to bring a quick end to the depression. But the depression persisted. In due course we began to realize that collectively the devices added up to a degree of governmental management of our economy beyond anything we anticipated.

In any event, such devices had not mastered the depression when we became involved, late in 1941, in World War II. There was clearly a need then for many of the established devices and for some new ones in the interest of throwing the full force of our economic strength into the struggle against Germany and Japan. With our ready consent the government added such devices as price controls, rent controls, wage and salary controls, freezing of jobs, rationing, priorities, import and export controls. And so the past twelve years—years of depression and war—have led us step by step further and further away from our traditional private enterprise system. That is an important fact to remember.

Will Controls Be Released?

It is true that most of these specific departures from free enterprise were put into effect by legislation or by executive order as merely temporary measures, to be done away with when conditions permitted. But recently there has grown among our people a fear that perhaps many of these controls will never be relinquished, that they will be permanently consolidated into the structure of our government. This fear is not eased when we recall that seldom in history have governments readily given up powers they have acquired under emergency conditions.

Moreover, there are active today certain schools of economic thought which question the wisdom of our giving up these depression-bred and war-bred economic controls, whether in part or in whole. One of these schools harbors outright opponents of the private enterprise system, who intend to do all they can to bring about the complete scrapping of the system. They contend that the private enterprise system inevitably promotes economic inequities and thus the control of the economy tends to fall more and more into the hands of a few individuals. Therefore they advocate that in the future the government should control, if not own, most, if not all, economic resources for the protection of the economic interests of the people as a whole. They urge that since we have departed so widely from free enterprise because of the depression and the war, we should make sure that we do not return to the old system. They argue that the times are ripe for a clean break with the past.

This is not a new school of thought. It preaches an old doctrine. You may label it communism, fascism, or any other form of statism that suits your fancy. It has, though, gained new vigor in some quarters of this country under the stress of the depression and the war. It now looms so potent that it would be most unwise to ignore it.

The Example of Russian Idealism

I should like to point out that the adherents of this school usually ignore the problems to which adoption of their proposals would give rise. They evade reality. They picture Utopia and of course they are able to do that in most persuasive terms. It may be well to remember that what might be called Utopian idealism lay behind the original conception of Russian communism. But Russia found that she had to meet the problems of real people living in a real world, which required some adjustment in this idealism.

Shortly after Joseph Davies relinquished our Ambassadorship to Russia and returned to this country, he was reported to have said that a Russian government official admitted that Russia, contrary to the tenets of communism, was paying workers in some factories in accordance with the production they turned out. This official confessed, "We had to make a concession to human nature." Apparently Russia learned that however idealistic the formula, "From each according to his ability, to each according to his need," there had to be a concession in the direction of "From each according to his ability, to each according to his work." An economic system free of problems does not exist, and it is difficult to understand why some among us think that all will be well once we change our economy to a completely new system.

There is another school of thought, which stops short of completely repudiating the private enterprise system, but argues that we can only partially depend upon it in the future. Adherents of this school point out that all of our geographical frontiers have now been settled and, further, that our population growth is now declining in rate. Thus they conclude that our coun-

try is attaining economic maturity which will mean economic stagnation unless the government engages in economic activities to supplement the private enterprise system. They advocate permanent programs of public works and other forms of government expenditures in the interest of high-level employment.

They appear completely unconcerned about the costs of such programs; indeed, they argue strongly that the programs must be developed to the limit necessary to provide full employment. If this means continuous deficit-spending and a constantly growing national debt, they advise us not to worry about the debt. "We owe it to ourselves," they say. "It is just taking money from one pocket to put it in the other." This economic philosophy has been made attractive to many people by its claim that it aims not to destroy private enterprise but to save it by supplementing it—by giving it sufficient additional strength to meet the needs of the day.

Danger for Private Enterprise

But will such a plan save private enterprise? In my judgment it is more likely to destroy free enterprise —gradual though the process may be. I cannot escape the conclusion that continuous deficit-spending will mean a growing national debt and higher and higher taxes, which will ultimately strangle private enterprise. Or it will stimulate inflation which can be controlled, if at all, only by such regimentation of our economy as will leave less and less room for private enterprise.

And so I say that not only have the actual developments of the past twelve years of depression and war brought about a large-scale departure from private enterprise, but that to an alarming degree various economic proposals for our future so lack confidence in private enterprise that the system faces a severe struggle for survival.

When we look abroad, we get little encouragement. Harold Laski, the Englishman, is reported to have said that we must "blast the foundations of the existing economic order." Geoffrey Crowther, editor of the *London Economist,* is advocating a "mixed economy" that would give a substantial role to government economic enterprise. And the Archbishop of Canterbury has personally advocated public ownership of such things as communications, mines, etc. It is well to remember that British views often have a very great influence on America's point of view. When we turn to France, we learn that General De Gaulle is planning a program of state capitalism which looms suspiciously like the death knell of free enterprise in that country.

Certainly if it is our desire to save private enterprise we cannot be complacent about its survival. We shall have to prepare to defend it. And the best defense, we must realize, is to make it work more successfully after the war than it has in the past. Then it will have a clear title to the confidence of the American people.

What We Should Do Now

There are ways in which all of us can help assure the success of private enterprise in our own land. In the first place we can, each of us, make known to our government that we expect it to provide a stimulating and not a stifling atmosphere for private enterprise.

The Maurice and Laura Falk Foundation of Pittsburgh is one of the most highly regarded research organizations in our Nation. This organization follows the plan of selecting the best economists available to prepare treatises on current economic subjects. To Dr. Gow was assigned the subject of "Problems of the Postwar Economy". The article presented here gives excerpts from his address before a recent joint meeting of the Pittsburgh chapter of the National Association of Cost Accountants, the Pennsylvania Institute of Certified Public Accountants and Pittsburgh Control of the Controllers Institute of America.

In recent years too many of our leaders in government have so tongue-lashed our business system and its leaders that the people's confidence in the whole structure of business has been greatly shaken. In many cases such abuse was purely for the purpose of gaining a political objective. Moreover, too few of our government officials clearly understand the true requirements of the private enterprise system. Economic illiteracy in high places is a dangerous thing in a country of democracy and free enterprise. It seems to me, then, that the intelligent electorate must accept responsibility for querying all candidates for public office as to how they stand on issues that are vital to the preservation of private enterprise. This electorate must not hesitate to organize its forces to see that the ballot box is used as a way of putting into office men who truly understand the requirements of private enterprise and are disposed to help it.

There is a responsibility which the people must place upon business leaders. The people must call upon the leaders of business to realize the full import of the challenge to private enterprise and to reveal a capacity to meet the challenge. The work the Committee on Economic Development is doing to this end is promising indeed. You are businessmen, and I need not labor you with the importance of your task except to remind you that your responsibility is more than to make a success of your individual firm; it is also your task in your joint capacity to make the general economy work successfully. Policies which promote the welfare of the individual firm at the expense of the general economy are policies which will defeat you in the long run. Don't forget that businessmen can sabotage the private enterprise system by being short-sighted in their interests.

Educate Our Boys and Girls

As a third point may I stress the very special importance of the education of the oncoming generations to the end that they have an intelligent understanding of the complex problems of free enterprise and democracy. Not long ago we had called vividly to our attention the ignorance of our young people with respect to the history of our country. Attention might also have been called in equally revealing terms to the extent of economic illiteracy. I wonder how long we

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The Incentive Income Tax Plan

A Proposed Program For The Postwar Period

By FRANK WILBUR MAIN

One of the greatest needs in these early postwar years—now that wartime tax levels are no longer required or justified, is an income tax program offering incentive and encouragement to individuals and to industry.

There is a mounting realization throughout the country that there should be a tax structure providing more spending money in the hands of all people. This same program of taxation is thought of as also providing incentive for investments in not only old and established businesses, but in new and risk-taking enterprises as well.

Today the United States has the greatest productive and distributive capacity in its history. Purchasing power of a widely diffused nature has been developed. Human wants are practically without limit. Confidence—individual confidence, corporate confidence, national confidence—is the ingredient that needs to be added.

How is that confidence to be developed? A Federal tax structure offering incentive and encouragement would do more than any other single thing to create the desired confidence. Such a tax structure is the Incentive Income Tax Plan.

Based on Income

Here is a new approach to taxation. The Incentive Income Tax Plan is based upon an entirely new concept of Federal taxation. The Incentive Income Tax Plan suggests the taxation of income, rather than the taxation of individuals and corporations.

Parallel rates of taxation are proposed for individuals and corporations. The same general exemption is granted to individuals and to corporations, and the same graduated scale of taxes is followed.

Under the current system of Federal taxation, a successful small business usually pays more tax as a corporation than would be paid if the business were conducted as an individual enterprise or a partnership. In addition, a tax has to be paid by the stockholders when the profits are withdrawn as dividends. The corporation also has the troublesome question of the reasonableness of the stockholding officers' salaries, and often the vexatious question of undistributed surplus.

Today in this country there are approximately 3,000,000 small businesses. Yet, only 500,000 Federal income tax corporation returns are filed annually! If the small business is to be encouraged, it should have the advantage of the corporate form of doing business without being penalized by specific taxation.

Unless it is possible for owners of small businesses to incorporate when desired, it will be increasingly difficult for them to obtain the necessary investment required for expansion and financial well-being. The obvious drawback is that few people want to assume the liabilities which go with partnership investment, unless they are actually conducting the business themselves.

Encourages Risk-Taking

By taxing income, instead of an individual or a form of business enterprise, the Incentive Income Tax Plan not only makes the corporate form attractive to small business, but, at the same time, gives great encouragement to investments—particularly in "risk-taking" opportunities.

The Incentive Income Tax Plan provides for a very substantial increase in exemptions. For individuals, from $500 to $1,250—for married couples, from $1,000 to $2,500. Dependent exemption would be continued at $500. Corporations are allowed an exemption of $2,500.

The annual net taxable income of individuals and corporations is taxed on a graduated scale from 25% to 50%, with the 50% taxa-

(Continued on page 33)

FRANK WILBUR MAIN, whose Incentive Income Tax Plan was presented to Congress earlier this year, is senior partner of Main and Company, Certified Public Accountants, with offices in Pittsburgh, New York, Chicago, Houston, Harrisburg and Philadelphia.

He is past president of the American Society of Certified Public Accountants, is past president of the Pennsylvania Institute of Certified Public Accountants, and is a member of the Council of the American Institute of Accountants.

How Proposed Plan Works

(Net Taxable Income as used in these examples represents the Net Income after present allowable deductions are taken, and before the exemptions indicated.)

EXAMPLE NO. 1 Married Couple—Without Dependents

Net Taxable Income	Exemption	Balance	Tax Rate	Income Tax	†Tax Under Present Law
$1,500	$2,500	0	—	0	$ 130
2,000	2,500	0	—	0	245
3,000	2,500	$ 500	25%	$ 125	475
3,500	2,500	1,000	25%	250	600
5,000	2,500	2,500	25%	625	975
8,000	2,500	5,500	25% of 1st $5,000 30% of remaining $500	1,400	1,885
10,000	2,500	7,500	25% of 1st $5,000 30% of remaining $2,500	2,000	2,585

EXAMPLE NO. 2 Single Person—Without Dependents

Net Taxable Income	Exemption	Balance	Tax Rate	Income Tax	†Tax Under Present Law
$1,000	$1,250	0	—	0	$ 115
2,000	1,250	$ 750	25%	$ 187.50	345
4,000	1,250	2,750	25%	687.50	835
8,000	1,250	6,750	25% of 1st $5,000 30% of remaining $1,750	1,775.00	2,035

EXAMPLE NO. 3 Husband, Wife and Two Dependents

Net Taxable Income	Exemption	Balance	Tax Rate	Income Tax	†Tax Under Present Law
$3,000	$3,500	0	—	0	$ 275
5,000	3,500	$1,500	25%	$ 375	755
7,500	3,500	4,000	25%	1,000	1,440
10,000	3,500	6,500	25% of 1st $5,000 30% of remaining $1,500	1,700	2,245
20,000	3,500	16,500	25% of 1st $5,000 30% of next $5,000 35% of next $5,000 40% of remaining $1,500	5,100	6,785
25,000	3,500	21,500	25% of 1st $5,000 30% of next $5,000 35% of next $5,000 40% of next $5,000 45% of remaining $1,500	7,175	9,705

EXAMPLE NO. 4 Corporations

Net Taxable Income	Exemption	Balance	Tax Rate	Income Tax	Tax Under Present Law
$ 25,000	$2,500	$ 22,500	25% of 1st $5,000 30% of next $5,000 35% of next $5,000 40% of next $5,000 45% of remaining $2,500	$ 7,625	(x)
50,000	2,500	47,500	25% of 1st $5,000 30% of next $5,000 35% of next $5,000 40% of next $5,000 45% of next $5,000 50% of remaining $22,500	20,000	
100,000	2,500	97,500	same as above on 1st $25,000 plus 50% of remaining $72,500	45,000	
500,000	2,500	497,500	same as above on 1st $25,000 plus 50% of remaining $472,500	245,000	
1,000,000	2,500	997,500	same as above on 1st $25,000 plus 50% of remaining $972,500	495,000	
2,500,000	2,500	2,497,500	same as above on 1st $25,000 plus 50% of remaining $2,472,500	1,245,000	

† With stockholder relieved of taxation on dividends, savings will be increased by the amount of taxes now paid on dividends.

(x) It is impossible to show the corporation income tax under the present law. In view of the complexity of the present law no two corporations would pay the same tax on equal taxable incomes.

What Will Our Tax Bill Be?

A Review of What Is Being Considered as Needed Revisions

By MAURICE AUSTIN

Chairman of Committee on Federal Taxation, American Institute of Accountants and Instructor on Taxation, City College, New York City

Just as never in all history has so much thought been given during the continuance of a great war to the problems of the after-period, so, by the same token, never before has there been so much advance planning and work on a piece of tax legislation as on the impending tax revision for the postwar years. Among the most encouraging aspects of the tax scene are the system and thoroughness with which this planning is being done, and the fact that in this task Congress and the Treasury Department are working together.

The way in which the task has been commenced augurs well. For almost a year the staff of the Joint Committee on Internal Revenue Taxation, working as a unit with the Treasury Department staff and representatives of the Bureau of Internal Revenue, have supplemented their own studies by analysis of postwar tax plans and recommendations submitted by business, labor, agricultural, professional, and other organizations interested in the subject in its general or particular phases, and have met with representatives of many of these organizations. These organizations have, on their part, studied the problem with an unprecedented thoroughness and broadness of outlook, and, to a degree not evident in former years, have exchanged ideas with each other with the view of obtaining the benefit of the best thought of all concerned, and, so far as possible, removing areas of difference.

Public discussion of the plans and recommendations of the various groups has been on a scale without parallel in the past, and rightly so, for never have so many been so intimately and keenly aware of the practical meaning of heavy taxation, and so interested in the prospects of relief.

The principal features of the tax scene meriting discussion fall into several broad groups:

(1) Major structural and rate changes for the postwar period;

(2) Problems peculiar to the so-called reconversion period—that is, from now until re-establishment of a peacetime economy;

(3) Some of the aftermaths of the unprecedentedly high rates and complex tax legislation of the war years;

(4) Simplification and specific technical revision.

It is proposed herein to touch upon some of the more important matters in each group.

There is no disagreement on the proposition that the ultimate object of a sound tax program is a balanced federal budget within a reasonable period after complete cessation of active hostilities. While eventual adoption of measures for reduction of the public debt is essential, the difficulties and uncertainties entailed in reaching the first goal suggest the desirability of temporarily postponing adoption of a concrete program for retirement of the public debt until current income and outgo have been balanced and a clearer picture of the postwar national-income level has emerged.

Major Structural and Rate Changes

Obviously, the key factors in the balancing of the postwar budget are the level of postwar government expenditures and the attainment of a national income which, at practicable tax rates, will yield the required revenue. The attainment of a high level of production, employment, and national income is, of course, our major economic objective, and tax revision is but one of the factors involved. It is plain to see that the size of the public debt and the extent of unavoidable postwar government expenditures make heavy taxes inevitable for years to come, and eliminate the possibility of tax reduction for reduction's sake. It is equally plain to see, however, that there is a point beyond which high tax rates defeat their own purpose, by depressing capital investment, productive activity, and resulting employment to the point of actual loss in tax revenue. Avoidance of this result, and the creation of positive stimulus to the mainsprings of national income through all possible removal of tax brakes on productive activity, must be the guiding purpose of a judicious program of tax revision.

Before proceeding further, it would be well to consider the limits upon the extent of possible tax reduction. This, of course, depends upon the key factors already mentioned, namely, the level of government expenditures and national income during the postwar years.

On the basis of assumptions as to these key factors, however, the approximate scope of tax-reduction possibilities can be envisaged. This can be put most succinctly in the form of the proposition that, with a national income of $120 billion if the excess-profits tax were to be repealed, if the double tax on corporate income—once to the corporation and again to the stockholders on

their dividends—were to be eliminated, and if the present 3 per cent normal tax on individuals were removed, making the initial tax rate on individual incomes 20 per cent, we would just about be able to balance a national budget of $20 billion, without leaving room for any other substantial tax reductions.

These factors are, of course, subject to various combinations. Changes in the size of the budget or the level of national income would obviously result in curtailment or enlargement of tax-reduction possibilities. If it were desired to effect further reductions of individual taxes, less could be done with respect to corporation taxes.

What We Paid in 1940

It is perhaps unnecessary to state that the unprecedentedly steep increase in rates of taxation and number of taxpayers has been easier to bring about than it will be to undo. The distance we have come taxwise in these five momentous years is brought home to us clearly, if that were needed, by the reflection that even the already increased initial wartime rates of 1940 involved a marital exemption of $2,000 against $1,000 today; involved an initial individual tax rate of only 4.4 per cent on the first $4,000 and 8.8 per cent on the next $2,000, as against an initial rate of 23 per cent today; involved a rate of approximately 68 per cent on income over $100,000, as compared with 92 per cent today; and involved a corporation income-tax rate of 24 per cent, as compared with 40 per cent today, not to mention the excess-profits tax.

It is a sobering thought to realize that, inevitable as tax reduction may be, the cost of the greatest war in history makes impossible a return, within the foreseeable future, even to the tax rates of the first wartime year. Full general realization of this fact and of the limitations on possible tax reduction would be the most certain insurance against over-extension of a federal budget, which, in any event, will necessarily be several times larger than our largest previous peacetime budget.

On the foregoing propositions there is no substantial disagreement. But in the approach to a solution sharp divisions appear. Should tax schedules be scaled to balance the budget on the basis of a national-income level of $140 billion or more, based on employment of 55 million to 60 million, with consequent budget deficits until that level is reached? Or, having in mind the absence of precedent for a peacetime national income of such size, should the tax rates be scaled to balance the budget on the basis of a more certainly attainable national-income level, with the thought that additional revenue yields from increases in national income beyond that point would be available for tax reduction or debt retirement, or both? I confess a preference for the latter approach. Again, should the major tax relief be directed to business organizations, on the theory that increased investment of venture capital is the mainspring of high employment and consequent high national income? Or should the emphasis be on reduction of individual taxes in the low brackets on the theory that purchasing power would thereby be increased? Probably some combination of moves in both directions is called for; but the present unduly heavy burden imposed on corporate business income by the excess-profits tax and the double tax on corporate earnings certainly calls for major operations in this field. A few comments on these two matters seem appropriate.

Mr. Austin, as chairman of the Committee on Federal Taxation, of the American Institute of Accountants, presented a very complete report of the findings of his Committee in the August issue of *Accountancy*. Through the courtesy of the Editors we are enabled to present excerpts of Mr. Austin herewith.

The Excess-Profits Tax

There is general recognition of the fact that the excess-profits tax is an emergency measure related to war expenditures and war profits, would be completely unsound as a permanent feature of the national tax structure and, in peacetime, would act as a major deterrent to investment of capital in productive enterprises. Such differences of opinion as appear on this subject relate primarily to the timing of revision or repeal.

In the postwar tax recommendations of the committee on federal taxation of the American Institute of Accountants, released last fall, it was recommended that the excess-profits tax be repealed as soon as possible after complete cessation of active hostilities, possibly in the year following that happy event, and in any case, no later than the end of the second year following that event. As an interim measure, the committee recommended an increase in the excess-profits tax exemption to $20,000 or $25,000, coupled with a reduction in the excess-profits tax rate to, say, 60 per cent, at the time of the first important cutback in government expenditures, possibly upon cessation of European hostilities. The recommendation for interim rate reduction, of course, was valid only upon the assumption of an important reduction in government expenditures during continuance of the Pacific war, with consequent general reduction in war-generated profits.

The first report of the Joint Congressional Committee's study on postwar taxation recommends an increase in the exemption to $25,000, effective in 1946, but expresses the view that because federal expenditures would remain at a high level during the continuance of the Pacific war, with consequent reasonably full employment, and for other reasons as well, recommends no rate reduction should be made during the continuance of hostilities. It is significant that, at the same time, the Joint Committee expresses its recognition of the character of the excess-profits tax as a wartime tax, the implications of which seem obvious.

Final elimination of the excess-profits tax should once more make feasible business growth through reasonable accumulation of earnings, particularly in the

case of small businesses (with net income under $25,-000) on which the corporate tax, at present rates, would not exceed 29 per cent. Under such conditions, the availability of the corporate form, particularly if the double tax on corporate income is eliminated, would offer a practical solution to the problem of growth of unincorporated businesses.

Double Taxation of Corporate Income

Entirely apart from the excess-profits tax, corporate income, as compared with other types of income, and particularly income of unincorporated businesses, is subjected to a double burden of tax—once to the earning corporation, and again to the stockholders upon distribution as dividends. This was not always the case. The original scheme of taxation of corporate earnings contemplated but a single set of taxes: a normal tax on the corporation when the income was earned; a surtax (but no normal tax) on the shareholder when the income was distributed by way of dividends. This method would have produced the desired result if the corporate and individual normal tax rates would have remained the same, but, with the passage of time, the upward trend of the corporation normal rate and the downward trend of the individual normal rate resulted in an increasing measure of double taxation by a process of infiltration.

The principle of no double taxation was completely abandoned in 1936, when dividends were subjected to normal tax, as well as to surtax, in the hands of individual shareholders, and intercorporate dividends were also subjected to some tax. The tax duplication has since been accentuated by the increase of the corporate tax rate to 40 per cent. The many recent discussions of this subject have been beset by widespread and generally inconclusive debate as to whether the corporate income tax is passed on to the customer in higher prices, which, if true, would tend to refute the suggestion that corporate income is actually taxed twice.

Whatever the outcome of this debate may seem to be, the fact remains that, to the naked eye, at least, there is a double tax, and that this condition has resulted in a powerful, but utterly unsound, trend away from the corporate form of business enterprise, and in the substitution of borrowings—the interest payments on which are deductible—for capital-stock issues—the dividend payments on which are not deductible—as a means of financing corporations, thus tending to create unbalanced and unsound corporate financial structures.

Such double taxation should be eliminated as soon as feasible—probably in the year of repeal of the excess-profits tax—either by allowing the stockholder credit for the tax paid by the corporation on the income distributed as dividends, or by allowing the corporation to reduce its taxable income by dividend payments to stockholders. How such double taxation is eliminated is of less importance than the fact that it is actually accomplished.

Problems of the Reconversion Period

The reconversion period, starting now and extending with gathering momentum into the early postwar years, presents its own special set of problems. It is in this period that we may expect those losses and expenditures arising out of wartime operations, such as deferred maintenance and repairs, inventory losses, dismissal pay, losses on sales, and replacements of equipment, etc., which the experiences of the last war have led us to anticipate.

It will be recalled that allowance of current deductions in the war years for reserves for such items, sought by many representatives of business, was adjudged administratively impracticable, and that, in their stead, provision was made for a two-year carry-back of losses and unused excess-profits credits as a specific means of dealing with this problem. If the carry-back provisions are to serve their postwar-reserve function effectively, speeding up of the procedure for making the resulting tax refunds will be essential. Even under the most favorable circumstances, the traditional refund procedure is bound to involve substantial delay. Particularly is this so where the refund exceeds $75,000, requiring referral to the Joint Congressional Committee on Internal Revenue Taxation.

The Joint Committee, in its initial report, has recommended what seems to be an entirely feasible method of dealing with this problem. This proposal has two aspects: (1) to require the honoring of any carry-back refund claim within ninety days, subject to check only as to calculation on the basis of the tax returns as filed, without audit, any portion of such refund that is later determined by the Commissioner to be excessive being subject to collection upon notice and demand without recourse at that stage to the Tax Court; and (2) provision for deferment of payments currently being made on the preceding year's taxes to the extent of any carry-back refund of prior-year taxes estimated to be forthcoming on the basis of an anticipated loss or unused excess-profits credit for the current year, as shown by an estimated statement required to be filed by the taxpayer. Special interest and penalty provisions are provided to insure against abuse of this procedure.

Thus, under this provision, a corporation making installment payments on its 1945 tax, and anticipating a loss or unused excess-profits credit for 1946, could file a statement setting forth reasonable grounds for anticipating a loss or unused credit, and the amount thereof, and showing the computation of the estimated carry-back refund; and then defer, to the extent of such estimated refund, payment of the 1945 tax installments. This statement would be subject to Bureau check only as to computation on the basis of prior years' returns, as filed, and without audit. When the final return for 1946 is filed, a claim for the exact amount of the carry-back refund would then be made and, upon allowance within the ninety-day period, full settlement of the 1945 tax would be effected.

Proposals for Repeal

It is familiar knowledge that pressures have arisen, and will continue to arise, for modification or repeal of the carry-back provisions. Some of this pressure has arisen from apprehension of possibilities of abuse, most

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Does C.E.D. Planning Have Value to the Credit Manager?

By CARL D. SMITH
Director of Education, National Association of Credit Men

"If you are one of those who say that there are no opportunities in such times as these, be assured that the very tragedy of these times is making opportunities. In the decay all about us is evidence of our desperate need for men who can think and do things better than they have been done before."

The very nature of the credit manager's responsibilities forces him to view the impending results of tragedy in business management and to see the opportunities that may arise through the prevention of business failures. Intelligent and courageous planning, and the use of control factors in the choice of effective courses of action, and in the appraisal of the results achieved, are not matters of wishful thinking or blind guesswork. Sound planning is a hard and most exacting task, and yet can be productive of the most satisfying results. An extensive and effective program of planning by and for industry and the general public is now in action under the direction of the Committee for Economic Development. The results of this program are so compelling as to deserve the careful examination by every credit manager for implications that the program may have for his work and department.

Fortunately, for the welfare of all who constitute the citizenship of our nation, a group of more than 60,000 business men have visioned America's opportunities that may emerge from the tragedy and decay of the war. For three years these men in ever increasing numbers have worked together with enthusiastic and whole-hearted interest. They have found their stimulus and inspiration in the organization and program of the Committee for Economic Development. This Committee created as a private non-profit organization is designed to operate solely in the public interest, and is completely independent of any private or governmental agency. In it the leaders of labor, government, agriculture, the economists, and the nation's business men have all found objectives of common interest to which all can heartily subscribe. Stated simply these objectives are:

1. To stimulate company-by-company planning through community committees for post-war business expansion and so to create more peacetime productive jobs than ever before.
2. To examine public policies and make such recommendations, change or innovation as will benefit the general welfare.

The trustees of C.E.D. have adhered from the beginning to the idea that "what helps everybody helps business."

2,900 Local Committees at Work

Since its beginning three years ago C.E.D. has been organized into 2900 county and community committees for the avowed purpose of stimulating local post-war and reconversion preparations by industries and communities, and of pointing up plans for effecting a high level of employment in the community.

Peacetime employment estimates recently published by C.E.D., and gathered as a representative cross section from 100 of the 2900 communities, reveal a substantial increase in reconversion peacetime jobs over the employment conditions of 1940. The percentile range of this increase of reconversion employment is from minus 2 per cent to 122.3 per cent, and the mean is 28.0 per cent. Of the 100 communities, 14 estimate post-war employment increase over 1940 of 50 per cent or more and one-third show that the job increase in their communities will be 35 per cent or more.

In its publication "American Industry Looks Ahead," prepared by its Marketing Committee, C.E.D. reports returns from 1406 manufacturers representing nearly 300 individual lines of materials and products, and 158 trade associations with 20,000 members, which reveal that "industry plans to produce 41.6 per cent more goods in peacetime than were produced in 1939. The committee believes we shall reach this rate of production by about Sept. 1, 1946 . . . these goods will be worth in excess of eighty billion dollars as compared with 1939's fifty-six billion dollars, both figures being the 1939 price level for the purpose of comparison." The report further estimates that the industrial skill of 13,469,000 workers must be utilized to produce this volume of goods as compared with 10,078,000 workers employed in 1939. In applying the 1939 ratios of industrial employment to the total employment for that year, the committee estimates that by 1947 employed civilians may total 53,448,000 or 1,500,000 more civilian jobs than were filled at the peak of production during the wartime economy.

Study of Our Needs

What has been shown by C.E.D. of the potential post-war volume of production and employment is most admirably paralleled by an intelligent and factual program of research and study under the direction of its

Research Committee. In commenting upon the work of his committee, the chairman, Ralph E. Flanders, President of the First District, Federal Reserve Bank, says:

"C.E.D.'s research program has been arranged to consider the policies needed in the transition period and the long-range policies which will maintain a high level of productive high wage jobs.

"In its broader aspect, the aims of the C.E.D. research program must belong to, and come from, the people: citizens in communities who are alert to local problems and to their relation to national policy. Business men will find it necessary to devote some time to the understanding of the economic problems which confront them and effect their businesses and employes."

The products of the research activity are worthy of study by the executives of every firm member of the N.A.C.M., and in particular by every credit executive. The monographs published to date are:

1. Production, Jobs and Taxes
2. The Liquidation of War Production
3. Demobilization of War Time Economic Control
4. Providing for Unemployed Workers in the Transition
5. International Trade and Domestic Employment
6. Personnel Problems of the Post-War Transition Period

Other monographs soon to be published are:

1. Manpower Demobilization and Re-employment
2. Financing Industry During the Transition from War to Peace
3. Monetary and Banking Policies in the Post-War Transition Period
4. Agriculture in a Developing Economy

Before publication these monographs have been subjected to rigorous review by the Research Committee in order that the content may be readily understandable to business men, and that they may focus attention upon current and post-war problems of major concern to our business and industrial economy.

"Let George Do It", Wrong Attitude

Creditable as the splendid work of the field development and research committees of C.E.D. has been, these efforts will fall short of the desired end if the rank and file of business executives and their firms, large and small, assume an attitude of "let George do it." Such an attitude is inexcusable in times like these and furnishes to the critics of free enterprise evidence in substantiation of the charge that American business leadership is incapable of thinking and directing its way through the maze of economic and management problems that confront our economy. Such an attitude may well be taken by such critics to be a tacit admission that we do not possess the ability to "do things better than they have been done before." The magnificent achievement of business and industry in the support of the war effort is evidence enough that business men have not and will not assume such an attitude. The record speaks for itself.

C.E.D. has outlined six important steps that should be taken by firms that are genuinely interested in planning for the future development of their business. Procedures based on the experience of many firms have been worked out and provide a simple pattern which, if utilized, will be of great assistance. Your local C.E.D. chairman or secretary will gladly furnish you a copy of Handbook No. 1 entitled "Planning the Future of Your Business." Irrespective of the size of a business organization the following six major factors merit attention:

1. Define and place responsibility for post-war planning
2. Plan your product program
3. Plan your market and sales program
4. Determine the manufacturing facilities you require
5. Estimate your employment requirements, define jobs and plan employe training
6. Estimate the operating funds needed and plan their sources

In the complex industrial and business life of the present day every alert business organization obviously will base its post-war plans on alternate assumptions as well as on recognized and established procedures and facts. Any good plan provides for an alternate in case changing conditions make the primary plan unworkable. Good planning assumes that management from the top executives down the line is concerned with where and how its enterprise will gear into the industry of which it is an integral part, as well as into a changing economy.

A Place for Credit Executives

What, if any, implications do the six steps of this planning program have for the credit manager? Within his own department can he contribute to the overall development of intelligent and courageous planning for his company? Most assuredly he can. Briefly, let us look at some of the more important implications as they apply to the Credit Department.

Defining and placing responsibility for planning in the Credit Department must rest upon the credit manager. Since credit functions and relations invariably cut across so many other areas of activity within his concern, he may wish to create a working or a supervisory committee to assist him in outlining the scope of his planning efforts. Such a committee may well include his assistant, or assistants, and the chief executive or an assistant executive of other departments with whom working relationships are reasonably close. Suggestions for planning made by any such group should be reduced to practical terms. Vague generalities must be avoided at all costs.

While the credit manager will have little or no responsibility for planning the Product Programs of his company, he ought to maintain a vital interest in that program and seek to gain an understanding of what is going on in the Production Department planning. In particular, he needs to know what new products his company proposes to put onto the market and how these innovations may affect the market potential of old line products. These new products may contain many "hidden values" which may affect inventory, turnover, price, and profit factors. These same factors at work in the debtor's organization may affect favorably or unfavorably the financial position of that organization. The introduction of new products may bring in

a new line of customers not heretofore dealt with, and hence will increase the need for new sources of credit information.

While the sales manager will be primarily responsible for planning the marketing and sales program, the credit manager will quite naturally have a vital concern as to what those plans may be. He will want to review with care an analysis of the past sales of his company; the changes in the sales picture over a period of years in terms of value and price; the sales position of one product as compared with another; the comparison of past sales of his company with the sales of the industry as a whole; and estimated future sales and where those sales are anticipated. Of course, he will want to analyze the principal accounts of the pre-war and war periods and determine what changes are likely in these accounts in view of new and old line products. He will avoid putting his department behind the eight-ball when dealing with old and new accounts by reason of ignorance as to new marketing techniques and their effect upon trade terms and account policies.

Wide Knowledge Needed

Knowledge of the facilities involved in production is an essential tool of the trade of the alert credit manager. By understanding the production facilities and problems in his own company he will be more competent in understanding and interpreting the significance of these factors in the debtor's business. Knowledge of the policies governing appraisals of inventories, of the inventory control methods in common use, of the maintenance policies, and a general understanding of cost factors in the production processes of his own firm, will prove most useful to any credit manager in determining the managerial soundness of the debtor's productive organization. The alert credit manager out of this expanded knowledge of how the other half works may find some good ideas that may be applicable to his own department's productive efficiency in terms of planning, scheduling, supervising, analyzing, and producing adequate credit reports.

In a successful Credit Department the basic functions of the department will have been properly defined, and the personnel responsible for those functions will have been carefully selected for each job. Adequate thought will have been given to the qualifications of each job within the department and to the training necessary for an efficient fulfillment of the responsibilities of that job. It is assumed that each worker has been intelligently informed as to his or her specific duties and responsibilities, and that commensurate authority has been delegated to the worker thus prescribing the limits within which he or she is to work. All this presupposes effective supervision as the keystone to a well administered credit department. As reconversion accelerates and business volume increases, careful estimates should be made of personnel needed to carry the work load. Proper steps should be taken to effect an immediate orientation of new personnel to the department. At this point the National Association of Credit Men through the educational activities of the National Institute of Credit can be of service.

It seems unnecessary to urge that the credit manager take an interest in the planning program of his company as to the needs of operating funds and their sources for it is assumed that he has an inherent interest in such problems. Knowledge of the working capital requirements, expense and overhead loadings, sources from which new capital is obtained, long and short term credit practices, standing with the banks, and all other factors that reveal some portion of the credit picture are essential tools in the trade of the credit manager and his staff.

The Committee for Economic Development through its Field Development, Research, and 12 Action and Advisory Committees, whose personnel is drawn from every major area of business and industrial activity, has presented a strong challenge to American business men to do something constructive in post-war and reconversion planning, and has pointed out the opportunities that are opening before us. Will we have the foresight as business and credit executives to accept the challenge and develop the opportunities?

Management Aid, Not Easy Credit, Small Business Need

Smaller business needs more than easy access to capital if it is to grow and be healthy; it needs management aid—says Richard L. Rosenthal, in an article entitled "Rx for Smaller Business" in the autumn number of the *Harvard Business Review.* Mr. Rosenthal is head of Industrial Counsel, vice-president and director of York Safe and Lock Company and an officer and director of a number of other companies.

"Sympathy for smaller business has been loudly proclaimed and turned to political advantage," says Mr. Rosenthal, "with particular emphasis placed on the inability of smaller business to obtain capital at a reasonable cost. . . . Regardless of the political appeal of this point of view, experience with smaller business indicates that availability of capital is relatively secondary compared with the primary problems and difficulties which develop because smaller business is often inadequately organized, particularly to provide proper management in all the area vital to efficient operation.

"These problems and difficulties stem largely from the fact that successful smaller businesses usually owe their existence to the particular talents, dynamic but limited, of one man, who is usually the owner of the so-called smaller business. And the real dilemma arises when a successful smaller business begins to grow large enough to need the application of additional management skill, but the one-man owner does not see the need of it, or for some reason is unwilling or unable

(*Continued on page 27*)

A Review of Some of the Proposed Tax Revisions

(*Continued from Page* 14)

of which appears to be exaggerated. Pressure may also arise from the very circumstances which might make the carry-back provisions most essential, namely, temporary business recession, which would bring about a situation requiring substantial tax refunds in a period of reduced revenues. It seems almost too obvious for statement that, regardless of other considerations, the carry-back provisions must be retained until they have fully performed their postwar-reserve function, and that such opportunities for abuse as may exist should be removed, so far as possible, by direct and specific action, and should not be made the basis for general drastic revision or repeal of these provisions, upon which business has relied and planned and with which it has been asked to be content as a substitute for more direct dealing with the postwar-reserve problem. It would be far better that a few should benefit unduly, if that cannot be avoided, than that a sorely needed relief provision, vouchsafed to business, should be taken away.

In order fully to perform their postwar-reserve function, the carry-back provisions should be permitted to include losses and unused excess-profits credits from the two years following repeal of the excess-profits tax if, as it seems safe to assume, taxpayers will be incurring in those two years the war-generated losses and expenditures which it was the purpose of the carry-back provisions to cover.

What of Excess Profit Bonds?

Another phase of this problem has to do with the postwar excess-profit tax refund bonds, which are not negotiable until after presidential proclamation of cessation of hostilities, and not redeemable for from two to five years after that event. Suggestions have been made for accelerating their negotiability and perhaps making them available, prior to presently stated redemption dates, for payment of current taxes. This, of course, would have no direct connection with war-related expenditures and losses, but would result in an unfreezing of funds for reconversion purposes to all companies which had paid excess-profits taxes.

The Joint Committee's recommendation in its initial report presents a more far-reaching solution to this problem, namely, the application of the present postwar refund as an immediate credit against the excess-profits tax liability for 1944 and later years, and the acceleration of the maturity of the credits for prior years to January 1, 1946.

One of the proposals for the reconversion period is allowance of speeded-up depreciation deductions on new fixed-asset acquisitions, so as to permit write-off of a substantial part of the cost in the year of purchase and the next few years without relation to the actual useful life of the asset and without relation to demonstrable obsolescence factors. The thought behind the proposal is, of course, that it would stimulate capital-goods purchases.

The most recently announced administration modification of this proposal is to permit such "accelerated depreciation" only for income-tax purposes, and not for excess-profits tax purposes, thus removing one of the proposal's major tax attractions, and at the same time adding to its complications. The effect of such a provision on new machinery purchases is problematical. On the other hand, it has many unsound features. It would tend to undo all the good results of years of education on proper treatment of depreciation. Income would be understated in some years, overstated in others. Allowance for tax purposes of high initial depreciation, unrelated to the expected life of the asset, might lead to unnecessary abandonment of much useful equipment, unsound price policies in years "relieved" of costs which belong to them, and added burdens on taxpayers who cannot benefit from the proposal.

The economy as a whole cannot but suffer in the long run from artificial distortions of income for tax purposes, which unnecessarily complicate the tax system and influence businessmen to undertake transactions with an eye to tax savings rather than to sound business policy. This is not to say that improvements cannot be made in present depreciation-deduction practice, of which more will be said presently.

Aftermath of War Period—Section 722

While we shall undoubtedly have substantial litigation growing out of the complicated tax legislation of the war years and the large amounts involved, it would seem probable that this will not reach the proportions of the litigation following the last war. However that may be as a general matter, it is certainly clear that among the problems which we will inherit from the war period is the disposition of the upwards of 35,000 applications for relief from excess-profits tax under Section 722 of the Code, involving billions of dollars of claimed refunds. By reason of their very nature, it may be expected that many years will elapse before these are cleared up.

This form of relief is available when, for certain reasons, neither invested capital nor actual prewar earnings furnish an adequate standard of normal prewar earning power. To obtain relief in such cases it is necessary to establish what prewar earnings would have been had certain conditions then existed which in fact did not exist. It is small wonder that faced with a "crystal-ball" problem involving so much money and so many taxpayers, the administrative officials are found to exercise extreme caution, to be wary of creating precedents with unforeseeable repercussions, and to proceed slowly before important points are determined by litigation.

This very attitude of caution and apparent uncertainty on the part of the administrative officials charged with responsibility for over-all direction of the disposition of the claims, and the resulting extensive revision, by the reviewing officers in Washington, of many of the dispositions made in the field, have tended to create an attitude on the part of many of the local Bureau offi-

cials, of reluctance to assume responsibility for disposition, favorable to the taxpayer, of even what appear to be meritorious claims. This, of course, tends to defeat the very purpose which inspired decentralization of the administration of these claims. The problem is made no easier by the fact that many poorly founded claims have been filed.

The present condition has made many tax practitioners pessimistic over the prospects of actual relief being granted in this class of cases. In all probability, this pessimism is far from being entirely justified, but, while one may have sufficient confidence in the integrity and good faith of the administrative process to assume that meritorious claims will probably receive substantial justice in the end, it seems quite clear, at the present time, that this will require not only care and ability in the preparation and presentation of claims, but also years of patience and persistence, and, in many cases, substantial expense, before the cases reach a conclusion.

It is to be hoped that, after the large task of weeding out the poorly founded claims has made much greater progress than it has so far, and after some of the more controversial points have been disposed of by litigation in the Tax Court, the resultant clearing of the atmosphere, and the greater experience which the Bureau will, by that time, have had with the administration of these claims, will permit of their disposition on a much more efficient and less time-consuming basis. This will require, among other things, the establishment of standards by which local Bureau officials can guide themselves with confidence in disposing of these claims.

Simplification and Correction

Accountants, foremost among all groups, know that one of the striking features of our tax laws is their complexity and uncertainty. They are not only complex and ponderous in language and provisions; they keep changing, as witness 24 major tax enactments in the 32 years we have had a federal income-tax law, with at least one and sometimes two such laws in each of the last 12 years. Continual judicial and administrative changes add to the confusion. It is not possible to learn what one law means before another has appeared. Major changes in policy have been the order of the day. Partly this is due to necessary wartime tax legislation; partly to the closing of tax-avoidance loopholes; partly to piecemeal correction of inequities; all have been effected, however, by patchwork amendments, until the law resembles nothing so much as a crazy quilt. Business cannot build and plan on such shifting quicksands. Tax laws should be capable of ready interpretation and easy to administer. Business should be able to ascertain definitely the tax effect of contemplated transactions.

The American Institute of Accountants has pointed out over many years the crying need for complete overhauling of the tax laws, and the writing of a simple law—as simple as the complicated nature of our economy would permit—which would express a permanent and consistent policy of taxation, with rate variations constituting the only changes to meet fluctuations in revenue needs. To this end it has vigorously urged in the recent past the creation of an officially constituted nonpartisan commission of qualified accountants, lawyers, economists, and representatives of the Treasury Department, Congress, and major economic groups. There is a bill now pending in the Ways and Means Committee for the appointment of such a commission, and the American Institute of Accountants has publicly insisted that this bill be reported out of the committee for consideration by Congress.

Thus far, despite widespread commendation, this project has made but little headway. It is the policy of the Institute to keep this important subject before the public with a view to obtaining immediate Congressional action thereon, if possible, and, in any event, to prevent its submergence in the anticlimax which will inevitably follow the enactment of the pending major tax-revision legislation.

Some of the more important specific problems which must be dealt with in the postwar period, irrespective of over-all simplification, are:

(1) *Modification of the Provisions for Carry-back and Carry-forward Losses:* As already stated, the carry-back provisions were enacted to serve a specific purpose, namely, as a reserve for war-related expenditures and losses, and, presumably, these provisions will be retained until they have served that purpose. However, the carry-back provisions are probably much too complicated for permanent retention after they have fulfilled their postwar-reserve function. These provisions involve many administrative and technical difficulties, mention of but a few of which will suffice. Thus, the possibility of carry-backs prevents closing of the tax liability for any given year, and materialization of such carry-backs causes further examination and re-examination. A loss determined unexpectedly for a later year by reason of Bureau examination or litigation may find the statute of limitations already expired against granting of the resulting carry-back refund for the second preceding year. Decisions of the Tax Court and other courts may be rendered and become final before it is known that there is a loss for a later year to be carried back, in which case the taxpayer will find himself precluded from obtaining the refund.

It might be necessary to amend the statute to provide for "semi-final" court decisions, which would be final except for carry-back adjustments. Interest on such refunds varies, as between taxpayers, according to the time when the claim is filed, which may depend not only upon the diligence of the taxpayer, but upon the time when he learns of facts with respect to the later loss years through Bureau examination or the outcome of litigation.

Many corporations filing refund claims based upon carry-back of unused excess-profits credits, in which there is always a partially offsetting income-tax deficiency, have already had the experience of having interest on the refund computed from the date the claim was filed, and interest on the offsetting deficiency computed from the date—at least a year earlier—when the return

for the refund year was due. If in such case the Bureau should make sufficient adjustments of other items, so that the refund of excess-profits tax is exactly balanced by the deficiency in income tax, the company, believing that, as a result, it had neither gained nor lost by the filing of the refund claim, would find, to its surprise and dismay, that it would be presented with a bill for interest, arising from the differential in interest-computation dates.

Still another illustration of the problems presented appears in the suggestion made by many that, where a corporation on the invested-capital method has a carry-back of an unused excess-profits credit of a later year, the resulting reduction in tax liability of the earlier year increases the accumulated earnings and profits of the earlier year, and, therefore, the invested capital of the later year, and consequently increases the excess-profits credit of the later year and hence the unused credit to be carried back, by reason of which the tax liability of the earlier year is further reduced, the earnings and profits further increased, etc., and, so on, round the circle, again and again.

Finally, it should be observed, carry-back procedure inevitably results in the necessity for substantial refunds during periods of diminishing prosperity and shrinking tax revenues.

All in all, the case against retaining carry-backs after they have completely fulfilled their postwar-reserve function seems stronger than the case in its favor.

The Carry-Forward Provision

On the other hand, the present two-year period for carry-forward of losses well merits re-examination. When the two-year net loss carry-forward provision was re-enacted in 1939, after a seven-year lapse during which it had been omitted from the law as a sacrifice to fiscal expediency, the stated purpose of re-enactment was to afford relief to new businesses by permitting them to recoup, tax-free, their initial losses, before requiring them to pay taxes on their earnings. It has been found that it is in these very cases, for which the re-enacted provision was intended, that the two-year carry-forward period most frequently proves inadequate, either by reason of the fact that the initial losses are too large for absorption in two years or because such loss extends over a period of more than two years. Similar inadequacy has been found in many cases of established business having fluctuating incomes, alternated by losses. Many recommendations have been made for extension of the two-year carry-forward period to four or five, or more, years. Some action in this direction appears called for.

(2) *Growing disparity between tax accounting and generally accepted accounting principles:* The ever-widening gap between taxable income as construed by the courts and income as determined in accordance with generally accepted accounting principles has become the despair of businessmen, accountants, and tax practitioners, alike. This is particularly manifested in the treatment of prepaid income and deductions for accrued taxes and for reserves of various kinds.

How many of us have seen the case of the landlord who has negotiated a 50-year lease and, finding himself obligated to pay a substantial brokerage commission, arranges to finance the commission payment by procuring the prepayment by the tenant of rentals for the last few years of the lease term, only to find that the Bureau insists, and is sustained in insisting, that the prepaid rental is taxable in the year received, while the commission payment must be amortized over the 50-year period of the lease, with the result that the tax liability completely deranges the financing plan. Every accountant has been familiar for years with the fact that, under existing court decisions, reserves for cash discounts on accounts receivable are not allowable, accounting practices to the contrary notwithstanding, because the amount thereof cannot be definitively fixed except by reference to events occurring after the end of the year, namely, whether or not the customers pay within the discount period.

The existence of such differences seems particularly pointless, since all that is involved is a shifting of income and deductions between taxable years, which, in the long run, can make but little difference to the revenue. The simplicity of having taxable income closely approximate business income is obvious. Accountants have striven for years for closer conformity of tax practice to accepted accounting principles, but thus far have succeeded only in losing ground. However, the last battle is not over, and the good fight still goes on. During the past year the committee on federal taxation of the American Institute of Accountants has adopted as its major project activity looking toward the enactment or promulgation of such legislation or regulations as may be necessary to relieve this situation.

Old Question of Depreciation

(3) *Administrative practice with respect to depreciation:* Most businesses of any size have had the experience of fixing a 4 or 3 per cent depreciation rate, only to have the Bureau of Internal Revenue reduce it to 3 1/3 or 2½ per cent. This is particularly disturbing where depreciation is a material factor in an integrated cost system, especially where "standard costs" are involved. The Bureau has been making some efforts to relieve the situation. For example, a practice has been instituted whereunder depreciation rates of any one taxpayer are to be reviewed no oftener than every five years. Nevertheless, more flexibility seems called for here. Some procedure should be worked out whereby, within stated limits for given types of assets, the taxpayer's judgment as to depreciation rates should not be questioned. In this field, certainty and freedom from continual revision are more important than the precise depreciation rates selected. The question of whether the cost of an asset should be written off in a few years more or less—a question which, at best, is a matter of opinion that cannot be settled mathematically either way—should not be made the subject of interminable wrangling, especially since it makes but little difference in the long run. A procedure for advance agreement with the Bureau on depreciation rates, where the stated limits are inapplicable, or are sought to be exceeded, would also seem desirable.

(4) *The capital-stock tax and declared-value excess-profits tax:* These taxes should be repealed and there appear to be substantial grounds for hope that this will be done. These taxes are economically unsound, are measured by nothing more than the ability of corporate management to guess future earnings, and unduly complicate the corporate tax structure. They produce comparatively little revenue, because they are deductible in computing the income base for other taxes on corporate income; and any needed revenue derived could be raised more easily by adjustment of the income-tax rate. They do not fulfill their avowed object of collecting some tax from losing corporations, since that result follows only in the case of those corporations which declare capital-stock values in anticipation of profits only to find that they have guessed incorrectly.

(5) *The filing of consolidated returns for affiliated groups:* This privilege should be continued, but the 2 per cent additional tax in such cases should be eliminated. There is every justification for taxing an affiliated group of corporations as the single unit which, economically and in practical fact, it is. This has been recognized as sound accounting and business practice for many years, and there is no reason why the determination of tax liability on a basis of an economic business unit, despite division into separate corporate entities, should be accompanied by a tax penalty.

(6) *Reexamination of the method of taxing capital gains and losses:* This is needed particularly with respect to deductions for capital losses, the present restrictions on which act as deterrents to investment of capital in corporate enterprises. The major suggestion now receiving attention is to allow such losses as deductions, with the tax benefit therefrom limited to the same maximum tax rate as is applied in taxing capital gains.

Conclusion

The foregoing are some of the more important matters which will enter into the impending tax revision. It goes without saying that the scheme of postwar taxation finally adopted will represent a compromise of many points of view. Unfortunately, this process has resulted only too often in the past in an unfortunate hybrid which satisfies no one and is merely the prelude to further changes, uncertainty, and patchwork amendment. The job of planning for tax revision has been well begun; it is earnestly to be hoped that the end result in this case will be in keeping with its beginning, and will have been accomplished with an eye to long-range effects in terms of equity, practicability, and simplicity, rather than to the exigencies and expediencies of the moment.

Who Will Be Your Postwar Customers and What Will They Want to Buy?

(*Continued from Page* 5)

turing business, or the wholesale or jobber business, you can do this by giving him some sound advice gathered out of your experience. If you are in the retail or service business, try to recapture the prewar courtesies you extended your customers. It is essential that you do so. There will be many new lines of businesses formed in the postwar period. These would in themselves require an article far beyond the limitations of this brief message. There will be a shifting of our population, for there is a decentralization movement on that will move forward at an accelerated pace in the postwar period.

Finally, despite the fact that there will be a tremendous demand for goods and services, and the further fact that you will, no doubt, have adequate material for processing or distribution, and certainly adequate financing if you are deserving of it, don't make the mistake of thinking you can do a Rip Van Winkle and still share in the prosperity. The competition in the postwar period is going to be keen and you are going to have to fight for your share of the trade. This, in my opinion, is as it should be, for when the rewards in industry go to the alert and ingenious and to those who try to render real services or give sound values, remember you're building on a foundation that is substantial. You must build on this type of foundation if America is going to lead the way in a resumption of the progress of the world.

Industry Faces Stern Test in Postwar Economy

(*Continued from Page* 9)

can continue to afford to have so many of our young people go through school without acquiring an understanding of at least the elements of economics. For my part, I would have economics taught far down in the grade school because I am convinced that economics can be simplified to the point where that is possible. Here lies a challenge for the leaders in education in America.

I realize that I have pleaded the case for private enterprise without first telling you why I desire to preserve it. I have left the reason until last because I believe it is the most important point I have to make.

I might tell you that I believe in private enterprise because of the high standard of living it has given to so many of our people through the years, but I have a better reason than that. As a nation, we are now fighting for our life and for our freedom, and we mean not to have life unless we have freedom. Now freedom is, as I see it, indivisible. If we lose freedom on one front of our life, we shall be threatened with its loss on other fronts, one after another. And so I believe that unless we remain free in the way we make our living, we shall not long remain free in the way we live. That is why I believe in free enterprise. It is an indispensable part of freedom as a way of life. Whatever else our postwar economy may be, I want it to be free because I want to live a free man.

Management Aid Is Need of Business

(*Continued from Page* 18)

to take the steps to get it. Indeed, it may be that the very nature of smaller business itself makes the existence of this dilemma largely unavoidable."

"Generally, the owner of the business makes all decisions of consequence and, at the same time, handles an overwhelming amount of detail. The combination of these facts makes it impossible for him to do anything objective about his own business and its organization, or lack of it, and certainly precludes the possibility of his having the requisite free time in which to do any consequential amount of longer-term, basic planning.

"Although many smaller businessmen recognize their dilemma and are anxious to have it solved, in most cases they unfortunately do not know what the solution is or how to go about achieving it; and in other cases the solution may, at first glance, seem to be too expensive. . . . Moreover, since resetting business involves multiple skills and a variety of experience, it hardly falls within the realm of the services which can be provided by an accountant, lawyer, or advertising agency—or, for that matter, by any other single-activity specialist."

But how can this be accomplished? Rosenthal rejects federal subsidies. He refers to the services provided by the Smaller War Plants Corporation, and then says: "This method of providing management assistance to smaller business on what is essentially a subsidy basis was acceptable in wartime because of the dual necessities of increasing war production and of making sure that smaller companies, the backbone of our economic system, would not be forced out of business by reason of restrictions which eliminated the possibility of manufacturing normal products. A similar arrangement in peacetime hardly seems desirable, inasmuch as it would continue to develop a greater reliance on the Federal Government, which, in turn, makes business generally less able to stand on its own feet. . . .

Putting Personality On Paper

The Human Touch Adds Warmth and Persuasiveness to Credit Letters

By WILLIAM H. BUTTERFIELD
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Much of the misunderstanding non-co-operation in everyday business results from letters that fail to place their readers in a receptive frame of mind. Often a business executive reacts negatively to a letter that could have gained his full co-operation if it had been written properly.

The difference between the letter that stimulates enthusiasm and the letter that leaves its reader "cold" can often be reduced to a single word—*personality*. If the writer himself is cold and austere, if his message lacks any indication of the human touch—then he has no right to expect that it will do a good job for his firm. But if the letter reflects the "humaneness" and cordiality of its writer, he can reasonably expect that it will stimulate these same qualities in its recipient.

In letter writing, then, personality represents a combination of several vital elements: friendliness, courtesy, consideration for the other fellow and his problems, evidence of a desire to co-operate, and a warmth of tone that shows the writer to be a real, "red-blooded" human being.

The majority of letters written in business lack this vital quality of personality—and this statement applies as much to credit correspondence as to other types. Many letter writers, apparently, are in too much of a hurry to be friendly. They write in a curt, abrupt style which implies that cordial relations with a customer are less important than getting on to the next task in their daily routine. Some correspondents, in fact, must be too busy to be courteous; they ignore the reader's point of view altogether, so intent are they upon getting what *they* want. The idea of considering the other persons' problems and trying to help him solve them has never occurred to many individuals who write business letters each day.

Numerous, too, are the correspondents whose style of writing smothers the elements that make a letter friendly and enthusiastic. A string of antiquated, threadbare expressions will not convey either one's message or his personality.[1] Anyone who writes a business letter should be natural in expressing himself; he should avoid a stilted or grandiloquent language and write just as directly, just as simply, as he would speak. In short, he should write like a human being, not like a mechanical man.

To illustrate the excellent results obtained by imparting one's personality to paper, here are ten actual business letters.[2] They deal with a variety of situations—some of them simple, others rather complex. But each letter does its job well because it reflects the personality of its writer in a way that makes the reader want to co-operate.

1. Appreciation for Adjustment on Cash Discount

The credit man who wrote this letter for the Edison G. E. Appliance Company surely knew the value of good will:

Dear Mr. Layton:

This letter is prompted by our genuine appreciation of the very fine way you co-operated in adjusting the matter of cash discount. Sometimes, in the rush of business, we are inclined to take such co-operation for granted and we neglect to express our appreciation.

So the single purpose of this letter is to say "thank you," and to tell you that we do feel a sincere gratitude for that friendly relationship existing between our companies.

We are glad to learn that you will see that future discount payments are mailed within the discount time period. We like to see our customers earn this additional profit. We are now allowing the discount deducted from your checks 6109, 6399, and 8524.

Cordially yours,

2. Obtaining Financial Information on Accounts

Each year for the past several years this letter has pulled more than 60 per cent returns from about 2,000 accounts of a large candy company:

Dear Mr. Brown:

The year just ended seems destined to stand out in our economic history, both as a year of stupendous effort and achievement in itself, and as one of preparation for even greater effort next year.

We want to be prepared to give the best in service and co-operation in 194—. Following our usual custom at this time of the year, we are asking our

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[1] The fault of using trite expressions in letter writing was discussed in detail in the author's article entitled "Let's Write Better Letters," CREDIT AND FINANCIAL MANAGEMENT, July, 1945.

[2] Several of the following letter specimens are reprinted from the Dartnell Better Letter Service by permission of The Dartnell Corporation, Chicago, Illinois.

customers for a copy of their balance sheets and operating figures for the past year. If you do not have a copy available, will you please use the form attached?

The information you give us is certain to be more complete and helpful than any which can be obtained through outside sources. It will, of course, be treated with absolute confidence. Most of our customers supply us with this data because they realize that it helps us to help them, especially in times like these. We shall be grateful if you'll send this information just as soon as possible . . . here's a postpaid envelope.

Your business and good will are valued very much, and it is our aim to serve you in a way that will merit their continuance.

Sincerely yours,

3. Collection Reminder Based on Co-operation

Here is an unusual use of the co-operation theme in a letter to customers whose accounts are a little past due:

Dear Mr. Loomis:

CO-OPERATION, as Webster defines it, is "the association or collective action of persons for their common benefit, especially in industry."

We have not yet received your remittance covering your December account of $46.85.

Now that we have called this matter to your attention, we know we can depend upon your co-operation in the form of a check to bring your account up to date.

Sincerely yours,

4. Refusing to Allow Unearned Discount

In almost every business the problem of refusing to allow unearned discounts is a headache for credit men, who want to retain good will, yet cannot accept unwarranted deductions. The policy of most companies is a firm one on cash discounts so this places the credit executive under the burden of saying "No" without affecting the good will of his customer:

Dear Mr. Parker:

This delayed reply to your friendly April 22 letter is due to our trying, in every way possible, to figure out how we could allow the discount you deducted without discriminating against our other customers.

As a source of supply to you, we realize that your interests are ours, and everything we can do to promote them benefits us, too. Naturally we want to do everything to accommodate you.

In any other matter your letter would have sold us on the idea of granting your request—but there is very little we can do in extending the discount time period without penalizing those customers who pay within the 10-day period. Obviously, it would be unfair to give one customer a concession, for this or that special condition, which is not available to all. Experience has shown that any deviation from our policy breaks down our customer's confidence. Therefore, we have to pursue a rather definite policy.

We are explaining our position in a frank and friendly manner to be sure you will not misunderstand our motive. While we should like to say, "Okay, we'll allow it this time," you can see how this would be failing in our moral obligation to treating all customers alike.

We feel sure you will understand and approve our position in this matter, and that you will be willing to refund the $92.86 excess discount you deducted.

Sincerely yours,

5. Unusual Appeal for Payment of Small Account

Sometimes a short personal note from the credit man, asking the customer to help him do his job, strikes a responsive chord by appealing to the reader's sense of sportsmanship or fair play:

Dear Mr. Baker:

They say that a fellow is "only as big as the little things that get him down." Well, sir, my par value right now must be about $22.80, for that little item on your account simply "has me down."

It was invoiced in August. It was due in September. I have written you probably three or four times about it, but I still don't know why it isn't paid.

Don't you think my stock is due for a "rise"? The attached envelope will bring it, postage collect—and I'll appreciate it.

Cordially,

6. Extending the Discount Period

A map company finds that this offer to extend the discount period usually brings a remittance and at the same time creates good will:

Dear Mr. Wilkins:

I know how it is—sometimes an invoice becomes misplaced and as a result we lose our discount. That's bad! Discounts accumulate in a year's time. Discounts are added profits!

Perhaps that's what happened to our invoice of August 1. It was mislaid somewhere down the line. So I am sending you a copy and you can still have your 2 per cent discount if you will send us your check dated not later than August 20.

Of course you'll want to take advantage of this opportunity to secure the discount; therefore I suggest that you instruct your bookkeeper to send a check today.

Cordially yours,

7. Collection Letter That Also Asks for Order

The Lee Clay Products Company has used this letter for several years to collect past-due accounts, and finds that it nearly always brings a check for full or part payment. Occasionally it also brings an order:

Dear Mr. Williams:

The most valuable asset you have in your business is your credit standing. Because credit can be expanded, it is even more valuable to you than cash which is rigid.

You owe us $121.32 which has been running since Sept. 22. The amount is small, but frequently, Mr. Williams, a small amount which runs four months appears worse than a larger amount. It is easy to reason, "If the Reynolds Lumber Company can't pay $121.32, there must be something wrong with them."

We know there is nothing wrong with your credit; so I am asking not only for a check for $121.32, but also an order. Why not make up an order for a car of pipe and fittings and mail it along in the same envelope with your check? We value and appreciate your business.

Sincerely yours,

8. Expressing Thanks for Financial Statement

This letter utilizes the arrival of a customer's financial statement as an opportunity to build good will:

Dear Mr. Fenton:

We have many evidences of your business ability, your fine spirit of co-operation, and your continued friendship. You have repeatedly sent us financial statements, the last of which was received this morning.

You may be interested to know that you are always "out front," the first to know where you stand and the first to let your friends know that you had a good year.

We believe this is an appropriate time to thank you for the privilege of dealing with you, to congratulate you upon your good record, and to tell you it is a real inspiration to think of you as a successful customer for the coming year.

Sincerely yours,

9. Collection Letter Based on Fair-Play Appeal

The 'What would *you* do?" approach often enables the debtor to realize that fairness calls for the immediate payment of his account. Here is a letter that produces good results for the Miles Kimball Company:[8]

Dear Mr. Sanders:

What would YOU do if you had an account like this?

It isn't large . . . by itself . . . but how a group of them can count up! And when they are for small amounts like this, how hard it is not to lose all your

legitimate profit . . . and more . . . on collection expense!

We are glad to extend open account terms to you—and although this has run far beyond the usual 30 days, isn't it true that we've been pretty decent about waiting this long for our money?

There, in a few short lines, is our whole case. We don't want to be unpleasant. Most certainly we don't want to subject you to annoyance by turning over this little bill to a collection agency.

We want your good will! We'd like to count you among our preferred customers. I can't believe that you want us to suffer a loss because of our good faith in sending your order without cash in advance.

So I am enclosing an addressed envelope that needs no postage, and I am appealing to you to use it . . . this moment . . . to send the small sum which you owe us.

Please!

10. Proposing a Plan for Figuring Discounts

The rigid application of 2/10 in figuring discounts occasionally works a hardship on the customer. Here is a letter offering an adjustment of these terms to suit the customer's convenience:[4]

[3] The letter is accompanied by a statement of account.

[4] The following letter earned a distinguished rating in a business letter contest sponsored by CREDIT AND FINANCIAL MANAGEMENT. It was written by Mr. V. E. Stackhouse, of La France Industries, Philadelphia, Pennsylvania.

Dear Mr. King:

When our Accounting Department referred your check No. 8308 to us for approval, we were tempted to say: "Oh, that's all right! Accept it." On second consideration, however, we thought: "Here is a check where unearned discount has been deducted, and that discount amounts to more than $100. Return the check by all means."

A sense of fairness, however—to you and to ourselves—made us hesitate before following either of these extreme courses. A frank analysis of the situation discloses a problem of conflicting interest:

You do not want to lose your cash discount, and yet you are anxious to avoid the unnecessary details of making out checks more than twice a month.

We want very much to retain your good will, but are not allowed by good business practice to stand the loss of discount on items not paid within the discount period.

An unsolvable problem? Not at all! Let us see if we cannot co-operatively discover some mutually satisfactory basis for settling this difference of viewpoint.

The idea of averaging occurs to us. Your purchases are continuous and of comparatively even volume. Your payment of certain bills a few days short of the 10-day period would compensate for those bills allowed to run a few days beyond this

period. In practice the arrangement would be as follows: All bills dated from the 13th to 28th of the month would be paid less discount on the first of the following month; all bills dated from the 29th to the 12th would be paid on the 15th.

Does this sound logical to you? Does it provide the solution to both our problems? We think it does! What do you think?

Pending the receipt of your reply, we are temporarily holding your check. In this instance we are willing to waive our claim for discount for the sake of reaching an agreement and making a fresh start to a relationship which we feel is mutually desirable.

Your acknowledgment telling us that the suggested procedure meets with your approval, will be much appreciated.

Sincerely yours,

There is no type of letter in business that does not lend itself admirably to an expression of the writer's personality. Whatever the circumstances may be, a letter will be far more effective in doing its job if the writer shows himself to be a friendly, considerate, co-operative fellow who has a genuine interest in the welfare of his reader. Personality in a business letter is a contagious quality—its cordiality, courtesy, and "humanness" are conducive to a friendly response from the reader.

Yes, it takes more than a set of facts and figures, a secretary, and a collection of bewhiskered expressions to write a good letter—it takes a breadth of understanding, a spirit of co-operation, and an attitude of friendliness toward others. In short, it takes genuine personality and the knack of putting it on paper!

A Discussion of Insurable Risks

Co-insurance, Boiler and Machinery Coverage,

For many years it has been one of the tenets of N.A.C.M. that credit executives should see to it that their customers are properly protected by insurance. Possible losses by fire have received most attention in this check-up on insurance. There are however other risks on which the credit executive may want to inquire and to be assured that his customer is properly protected against total loss.

Through the co-operation of the Insurance Groups of the Credit Managers Association of Northern and Central California we are enabled to present a discussion of some of the "other" risks. In the August issue the San Francisco group presented the first of this series of discussions under the heading "Time Can Be Insured." In this presentation the coast group also gives some valuable information about three other important insurance subjects. (Editors.)

The Coinsurance Clause

The above term still continues in general use in fire insurance parlance on the Pacific Coast, even though an insured would experience some difficulty in finding a clause so designated in the form attached to his fire insurance policy, the Coinsurance Clause having been replaced many years ago by what is known as an "Average Clause" and often referred to as a "Reduced Rate Average Clause" or a "Contribution Clause."

Because of the purpose of the Coinsurance, Average and Contribution Clauses are the same—their meaning, intent and effect—they are generally referred to and analyzed under the more familiar title of "Coinsurance." In some parts of the United States the old coinsurance clause is still in use. In the majority of states it has been superseded by the New York Standard Average Clause.

Webster defines Coinsurance as:

"Insurance jointly with another or others; specifically, in fire insurance, a system in which the insured is treated as insuring himself to the extent of that part of the risk not covered by his policy."

Average, as it relates to fire losses, as:

"A clause, in a policy, restricting the amount to be paid to such a sum, not exceeding the value of the property destroyed, as bears the same proportion to the loss as the face of the policy does to the value of the property insured."

and it is with this latter clause that this brief article deals.

What is the purpose of the Average Clause? (1) To distribute fire losses equitably among policyholders. Owners wishing to underinsure are prevented from shifting part of their burden to those who desire or are required by mortgagee interests to carry full protection. (2) It furnishes an incentive to insure property values fully and to increase insurance as property values appreciate. (3) Rate discriminations are avoided. Statistics show that based on the average percentage of loss per fire to property occurring over a period of one year in a given number of buildings of approximately the same construction and of equal value, that if only 10% insurance to value was carried on each of the buildings the fire rate would have to be increased five times over that rate produced by the credit reward for the use of the Average Clause, resulting in full or substantially full insurance to value.

What effect has the average Clause in the adjust-

ment of a loss? It apportions the loss on the average, not only as between the insurance carriers but with the insured, equitably to each, in the relation in which their liability was assumed. In many instances the formula ceases to operate when the insurance has been apportioned between the Insurance carriers, whether the loss be partial or whether it be total. When the amount of insurance is equal or greater than the percentage of insurance to values stipulated in the Average Clause, the insured is not a coinsurer (the noun for average) —he having passed that liability on to his co-partners, the insurance companies.

The subject is summed up well by a high authority:

"He which soweth sparingly shall reap also sparingly
And he which soweth bountifully shall reap also bountifully."

Boiler and Machinery Insurance

The value and importance of boiler and machinery insurance on power plants such as are operated by manufacturers and utilities is generally recognized by the owners themselves, but some owners of other types of properties employing heating and power equipment sometimes do not realize the value of and need for having the protection this insurance affords.

Boiler insurance is a valuable coverage on all types of boilers and pressure vessels, those operated at low pressures as well as those operated at high pressures, whether used for generation of steam or for heating water, and whether directly fired or unfired. Any boiler or unfired vessel under pressure is a potential explosion hazard, capable of causing extensive loss, not only to the boiler or vessel itself but to other property as well. In addition, it may cause a costly indirect loss by curtailing or entirely preventing a plant's production for business.

As with boiler insurance, the need for insurance on machinery to protect against loss, both direct and indirect, resulting from an explosion, breakdown, burn-out of equipment used for generating, converting or transmitting power is frequently overlooked, or its worth not understood and appreciated. The explosion or breaking of parts of a steam turbine, the breakdown of a steam engine or compressor, the burn-out of a generator, motor, transformer or other electrical machine, as well as many other kinds of accidental failures to power equipment can be as costly as explosions of boiler or vessels.

The basic coverage under boiler and machinery insurance policies provides an agreement to pay for direct loss caused by an "accident" to the insured equipment. Subject to the amount of insurance, or "limit per accident," afforded for any one loss, payment is made first for direct loss on property of the assured and second for direct and indirect loss on property of others for which the assured is liable. For a small additional charge the assured's liability for personal injuries (excluding any liability under workmen's compensation laws) may be covered. A provision to pay for extra expense incurred in expediting repairs to insured objects on which accidents have occurred is also an optional coverage. Protection against indirect loss as a result of an accident may also be provided. Stoppage or curtailment of production is one such form of indirect loss and spoilage of property owing to lack of steam, light, heat, power or refrigeration (which in turn has been caused by an accident) is another type of indirect loss.

Because of a variation in hazards, both those inherent and those arising from operating, in different types of objects—boilers, unfired vessels, refrigerating systems, turbines, engines, compressors, pumps, generators, motors and other electrical and mechanical equipment—the kinds of occurences which constitute an "accident" vary somewhat between the different types of objects.

For boilers there are two insurance coverages available at the option of the policyholder. The one termed broad coverage is, as the name implies, somewhat more extensive than the one termed limited coverage. Under either form, the accident insured against is the sudden and accidental tearing asunder of the object or parts thereof from internal pressure of the contents.

Incentive Tax Plan

(*Continued from page* 10)

tion as a ceiling on all net taxable income in excess of $25,000 after exemptions and deductions are declared.

All excess profits and capital stock taxes are to be eliminated. By raising the exemptions, additional buying power in the hands of all people is automatically provided. This buying power is needed in the months ahead to provide the mass market for the new radios, refrigerators, automobiles, homes, and other requisites of a high standard of living soon to become again generally available.

Dividends will be freed from taxation on the part of those receiving such return on investment. This provision will greatly stimulate investment thinking and will provide encouragement for untold thousands of business activities.

160 Billions for Government

With the increased income which the higher exemptions will place in the hands of all peoples, with the reduced ceilings on taxation on both individuals and corporations, plus the freeing of dividends from taxation by the stockholder, a national income of at least $160,000,000,000 should be realized in early postwar years.

In order that the impact of the Incentive Income Tax Plan could be graphically shown, the statistics in the Plan were based on an assumed national income of $160,000,000,000. This was the figure anticipated for the fiscal year of 1944.

One of the major criticisms of the Incentive Income Tax Plan is that the Plan was based on this volume of national income without assurance that such a level would be duplicated in peace-time postwar years.

The peace-time Federal budget will probably be at least $25,000,000,000. With the budget at that figure.

in order to have a vigorous and dynamic national economy, we must maintain in this country a national income of approximately $160,000,000,000. Even the briefest review of our country's economic life reveals that such assumption is based on recorded history.

The Incentive Income Tax Plan has been advocated as the pathway through which our country can maintain a high level of national income, and, at the same time, secure adequate revenues for the conduct of the United States Government, with a balanced budget.

If the Incentive Income Tax Plan is enacted into law at the current session of Congress, there is no question that it will stimulate the highest possible level of postwar employment. By reducing the number of income taxpayers from 51,000,000 to 13,500,000, a tremendous simplification and economy in Government auditing would also result from this reduction.

Out of a professional tax experience covering many years, and out of an auditing and accounting practice which brings the closest contact with corporations, institutions, unions, associations, and individuals in all walks of life, I believe the adoption by Congress of the Incentive Income Tax Plan will pave the way to produce the prosperous conditions so universally desired for our years of peace ahead.

STATEMENT OF THE OWNERSHIP, MANAGEMENT, CIRCULATION, ETC. REQUIRED BY THE ACTS OF CONGRESS OF AUGUST 24, 1912, AND MARCH 3, 1933, OF CREDIT and FINANCIAL MANAGEMENT, published monthly at Philadelphia, Penna., for October, 1945.
STATE OF NEW YORK, } ss.
COUNTY OF NEW YORK, }

Before me, a Notary Public in and for the State and County aforesaid, personally appeared Richard G. Tobin, who having been duly sworn according to law, deposes and says that he is the Editor and Manager of the CREDIT and FINANCIAL MANAGEMENT, and that the following is, to the best of his knowledge and belief, a true statement of the ownership, management, etc., of the aforesaid publication for the date shown in the above caption, required by the Act of August 24, 1912, as amended by the Act of March 3, 1933, embodied in section 537, Postal Laws and Regulations, printed on the reverse of this form, to wit:

1. That the names and addresses of the publisher, editor, managing editor and business managers are: Publisher, National Association of Credit Men, 1 Park Avenue, New York 16, N. Y. Editor, Richard G. Tobin, 1 Park Avenue, New York 16, N. Y. Managing Editor, None. Business Manager, Richard G. Tobin, 1 Park Avenue, New York 16, N. Y.

2. That the owner is: National Association of Credit Men, a non-stock corporation with the following officers: Robert L. Simpson, C. T. Patterson Co., Inc., New Orleans, La., president; Joseph Rubanow, Manufacturers Trust Co., New York, N. Y., vice-president; C. B. Rairdon, Owens-Illinois Glass Co., Toledo, Ohio, vice-president; Paul A. Pflueger, Max I. Koshland & Co., San Francisco, Calif,, vice-president; Henry H. Heimann, New York, N. Y., executive manager and treasurer; David A. Weir, New York, N. Y., secretary.

3. That the known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages, or other securities are: None.

4. That the two paragraphs next above, giving the names of the owners, stockholders, and security holders, if any, contain not only the list of stockholders and security holders as they appear upon the books of the company, but also, in cases where the stockholder or security holder appears upon ohe books of the company as trustee or in any other fiduciary relation, the name of the person or corporation for whom such trustees is acting, is given; also that the said two paragraphs contain statements embracing affiant's full knowledge and belief as to the circumstances and conditions under which stockholders and security holders who do not appear upon the books of the company as trustees, hold stock and securities in a capacity other than that of a bona fide owner; and this affiant has no reason to believe that any other person, association, or corporation has any interest direct or indirect in the said stock, bonds, or other securities than as so stated by him.

RICHARD G. TOBIN, Editor

Sworn to and subscribed before me this 24th day of September, 1945.

ROSETTA ROSENGARD.

(Seal)

NOTARY PUBLIC, Kings County
Kings Co., Clk's. No. 57. Reg. No. 69-R-6
Certificate Filed in New York County,
N. Y. Co. Clk's. No. 60 Reg. No. 50-R-6.
Commission expires March 30, 1946.

NEWS ABOUT CREDIT MATTERS

A section devoted to Credit Association affairs

October, 1945

Copy deadline 10th of Month

James E. Cox Named Full Secretary of Chicago Association

Chicago: H. H. Faulstich, the First National Bank of Chicago, president of the Chicago Association of Credit Men, announces the appointment of James S. Cox as secretary-manager of the association. Mr. Cox is widely known in credit executive circles. He has been active in credit work for many years and as treasurer of W. C. Ritchie and Company, manufacturers of paper boxes and fibre containers, he represented that company in the Chicago Association of Credit Men.

When Chicago Association of Credit men was called upon to loan Harvey Hill to the War Production Board, Jim Cox substituted, and during that six months' period had considerable contact with the various secretary-managers. Since Harvey Hill's resignation in February of last year, Mr. Cox has been acting secretary of the Chicago Association and has been active in the secretarial council, etc.

During his connection with the Chicago Association, he was a member of many committees. He was chairman of the Membership Committee for two years and through his aggressive methods the membership of the association was greatly enlarged. He was also chairman of the Meetings Committee for three years and served with distinction.

Mr. Cox was a member of the board of directors of the Chicago Association for four years. He was then elected president in 1926 and served one term. He has been on the staff of the Chicago Association of Credit Men for a number of years and just prior to his present appointment be held the position of assistant to the secretary and later was acting secretary-manager.

He was a member of the Membership Committee of the National Association of Credit Men and served as chairman of the committee. He has attended many national conventions and enjoys a wide acquaintance among credit executives.

St. Paul: Joseph T. O'Neill, a department manager of the West Publishing Co., of this city, died late in August after a long illness. He had been associated with the West Publishing Co. for thirty-six years and had been an active member of the St. Paul Association of Credit Men and a current director of that organization for several years.

Mr. O'Neill was known to many readers of CREDIT AND FINANCIAL MANAGEMENT as the author of a very interesting series of articles in which "Ol' Doc Nixon" was the principal character. Through the means of a rare gift of satire, Mr. O'Neill pointed out many of the foibles of the old-time credit men and showed how he could be jolted into improving the important work of his department.

F. C. Aldridge to Run Own Business; Quits Natl. Board

Announcement was made early in September that F. C. Aldridge had resigned as a member of the National Board of NACM, as Mr. Aldridge has left his position with the Linde Air Products Co., in Birmingham, and will enter business for himself in Savannah, Ga.

A mail canvass of the associations in the Seventh Electoral District is now being conducted and the names presented will be submitted to the members of the national board for selection of a successor to Mr. Aldridge. This action is taken at this time, so that the new director selected may take part in the meeting of the national board schedule for November 29, 30 and December 1 in Cincinnati.

The associations in the Seventh District are Shreveport Wholesale Credit Men's Association, New Orleans Credit Men's Association, Georgia Association of Credit Men, at Atlanta; Alabama Association of Credit Men, at Birmingham; Charlotte Association of Credit Men, Jacksonville Association of Credit Men and Tampa Association of Credit Men.

National Board To Meet in Cincinnati On November 29th

The board of directors of the National Association of Credit Men will meet at the Netherlands-Plaza Hotel, in Cincinnati, on November 29, 30 and December 1. In this connection it is pointed out that November 22 has been designated as the official Thanksgiving Day.

Although travel conditions and hotel accommodations have been eased somewhat, it was with considerable difficulty that President Simpson and the national officers, were enabled to find a central location that could supply satisfactory hotel accommodations. The date at the end of November was the first that the Netherlands-Plaza could make reservations for the national board members.

Pittsburgh to be Host To Regional Conference On November 9th, 10th

Pittsburgh: The Ohio, West Virginia and Western Pennsylvania Credit Conference will be held at the William Penn Hotel here on November 9th and 10th. The Conference will start on Friday November 9th and run through an all day session. There also will be an industry group session on Saturday morning.

It is expected that 145 credit executives from the three-state area will register in addition to a large turn-out from Pittsburgh. At a preliminary meeting of the officers of the Associations in the Ohio-Pennsylvania area in September it was decided to continue the plan of holding the conference each even numbered year at Columbus and each odd numbered year in the city of one of the area Associations.

Arthur Moller, Fifth-Third-Union Trust Co., of Cincinnati will be general chairman of the Pittsburgh Conference. H. Y. Yost of Pittsburgh is in charge of the program and John Q. Adams is in charge of promoting the attendance from the regional Associations.

Southeastern "C" Men To Gather at Atlanta For District Meeting

Atlanta: The Georgia Association of Credit Men announces a meeting to be held in Atlanta on November 15 and 16 which will be the first Southeastern District Credit Conference in several years.

The associations in Alabama, Florida, Georgia, Louisiana, North Carolina, South Carolina and Tennessee will participate in this meeting.

Henry H. Heimann, executive manager, and Robert L. Simpson, president of the National Association of Credit Men, will be on the program.

A large attendance is expected and full program will be announced later.

The purpose of this conference is to bring the members of our associations in the Southeastern District together for a discussion of mutual problems and to chart a course for credit executives for the post-war period. One feature of the Conference which will be given careful planning is the Credit Industry Group meetings. Expert leaders will be provided to bring informative and helpful programs to these groups.

The officers and directors of the Georgia Association, led by C. W. Bandy of Beck & Gregg Hardware Co., as president, make up the Atlanta Conference Committee. G. Royal Neese, secretary of the Chattanooga Association of Credit Men, is helping with the plans and program.

The Southeastern folks are anxious to make this meeting a highly effective one, and full participation of the associations involved is earnestly requested, in the form of suggestions, and by bringing a large delegation to the conference.

Seattle Seeks to Gain 69 New Members By Next Natl. Convention

Seattle: The Membership Committee of the Seattle Association is now actively pushing a campaign with an object of increasing the membership of this organization to a total of 675 members by April 30, 1946. This requires an increased total of 69 and from present prospects this year will be accomplished before the end of the fiscal year. The contest on a point basis provides that any member firm who scores twenty points or more in the contest will be entitled to have a representative attend the National Convention in New York next May. The points are scored as follows: Interchange member, four points; conversion of an associate member to an Interchange membership, three points; for each $25 service contract, one point, and associate membership, one point.

News About Credit Women's Clubs

Chicago: "Credit Prospects" were discussed at the regular monthly meeting of the Credit Women's Club of Chicago at Huyler's Restaurant, Tuesday evening, September 11. Miss Anita L. Krueger, Scholl Manufacturing Company, president of the club, presided. Officers of the Chicago Association of Credit Men were the speakers and included President H. H. Faulstich, the First National Bank of Chicago, First Vice-President C. W. Dittmar, Crane Co., and Second Vice-President R. L. Seaman, the Florsheim Shoe Company. Present and immediate credit problems with special emphasis on the reconversion period were discussed by the speakers.

Each year the National Association of Credit Men awards a plaque to the Credit Women's Club that secures during the year the largest number of new members for their local association. An event of the evening was the presentation to the club of this trophy, which was won by the Credit Women's Club of Chicago. The presentation was made by Miss Frances Sauer, Peerless Confection Company, a member of the National Credit Women's Executive Committee. The award is usually made at the annual Credit Congress of the National Association of Credit Men, but as there was no national meeting this year the presentation was made at this meeting.

Denver: The regular monthly dinner meetings of the Denver Credit Women's Club were resumed September 17 at the Daniel and Fisher Tea Room.

Mr. John Fleming, of the Mountain States Telephone and Telegraph Company, was the guest speaker. Mr. Fleming presented a very interesting demonstration of the Mirro-Phone. Each club member had the opportunity of hearing the recording of her voice.

Following the program, the regular business meeting was conducted by the president, Miss Mary Elliott, of Spitzer Electrical Company.

Mr. James McKelvy, secretary of the Rocky Mountain Association of Credit Men, will be guest speaker at the next meeting, Monday, October 15.

Pittsburgh: Miss Marie Ober, of the May Lumber Company and Miss Della Eades of the Pitt National Bank have been awarded the Helen R. Pouch Scholarships by the Pittsburgh Credit Women's Club. These scholarships entitle the recipients to enroll at Duquesne University this Fall.

Binghamton: The Triple Cities Credit Men's Association were especially invited guests of the Triple Cities Credit Women at its Fall meeting on September 19. Robert H. Austin, personnel director of the International Business Machines Corporation, was the speaker at this meeting. His subject was "Personnel Activities and the Credit Department."

San Francisco: The September 19 meeting of the Credit Women's Club was exceptionally well attended by members and guests. The talks by Mr. Leroy Henderson, sales manager of Dun & Bradstreet, and Mr. A. J. McGarry, manager, Construction Industries Bureau of the Credit Managers' Association, were most interesting and educational.

The president, Miss Melba Field, announced that plans for the October 24 joint meeting of the Credit Managers' Association and the Credit Women's Club are being completed. This will be held at the Sir Francis Drake Hotel. A record attendance is expected and women credit assistants are cordially invited to be present. The evening promises to be a very lively occasion, so watch for the announcements which will be mailed to all members of the association.

Denver: The summer meetings of the Denver Credit Women's Club have consisted of dinner at the Auditorium Hotel followed by a theater party at Elitch's Gardens and a mountain trip to Bromstead's By-The-Lake, Evergreen, Colo., for dinner and a social evening. The regular monthly dinner and business meeting was resumed Sept. 17.

San Francisco: Because of the V-J holidays, the regular meeting of the San Francisco Credit Women's Club scheduled for Aug. 15 was cancelled. However, the same program was presented on Sept. 19 with Mr. A. J. McGarry, Manager, Construction Industries Bureau of the C.M.A., speaking on "Construction Credits" and Mr. Leroy Henderson, Sales Manager of Dun & Badstreet, speaking on "Credit and its Relationship to the Credit Agency." Plans are being completed for a gala evening on Oct. 24 with the Credit Women's Club as hostesses to the entire Association.

Minneapolis: At their September meeting the Minneapolis Wholesale Credit Women's Group witnessed the first showing before any credit women's club of the new National Association Visual Education Project with Mr. Ed Moran, Director of Sales Promotion, NACM, narrating. Mr. Moran also spoke concerning the Association activities and their help to the credit executive. Mrs. Phyllis Johnson is president of the group this year and Mrs. Georgie Anderson is Vice-President.

Cleveland: The fall season of the Cleveland Credit Women's Club began with a dinner meeting on Sept. 11 at the Masonic Auditorium. After the interim of summer vacations a fine group was in

attendance to hear our guest speaker, Mrs. Irene Sterbenz, a feature writer for one of our local newspapers. Mrs. Sterbenz was one of the few women assigned to cover the San Francisco Conference, and her topic, "Echoes from San Francisco," proved most interesting and entertaining as she brought us the lighter and humorous side of this great event.

Detroit: On Sept. 8 the Detroit Credit Women's Club held a most successful bridge party at the Ernst Kern Co. Auditorium. Mildred Darrow was general party chairman. Beautiful door prizes were donated by members of the Credit Women's Club and various companies having membership in the Detroit Association of Credit Men.

Philadelphia: The first fall meeting—a Victory Dinner—of The Philadelphia Credit Women's Club, was held Thursday, Sept. 13, with Mr. William E. Vollmer, Assistant Vice-President, SKF Industries, Inc., and President of The Credit Men's Association of Eastern Pennsylvania as speaker. He spoke on "Bretton Woods" and gave some very important outstanding facts regarding this subject; also touched on the tremendous problems on "Reconversion." Mrs. Vollmer attended as guest of the club.

To Study Retail Practices

Spokane: A special winter course for members of the Spokane Association of Credit Men started on September 20. This course, which provided special lectures and discussions over a period of fifteen weeks, is designed to give credit men an opportunity to learn more about small business. The title of the course is "Merchandise Practices for Small Retail Stores."

John L. Geist Dies

Waterbury: Mr. John L. Geist, Credit Manager of The Plume & Atwood Manufacturing Company of this city, died late in September after a short illness. Mr. Geist had been connected with the Plume & Atwood Manufacturing Co. for 52 years and has served as Credit Manager since 1908. He had been active in the Waterbury area credit circles for a number of years and had also taken a leading part in the cerdit progress of the representatives of the Brass Industry.

Visits Old Philadelphia Friends

Philadelphia: Miss Gertrude Tonneson, a Past President of the Philadelphia Credit Women's Club and a former Director of The Credit Men's Association of Eastern Pennsylvania who was transferred last year as Credit Manager of the Quaker Oats Company in Philadelphia to Akron, Ohio, paid a surprise visit to the Association Office in Philadelphia in September. Miss Tonneson is now a member of the Akron Credit Club, a branch of the Cleveland Association of Credit Men.

Credit Courses at Temple University For Philadelphians

Philadelphia: Through special arrangements with Temple University in Philadelphia, the Credit Men's Association of Eastern Pennsylvania announces a series of courses for those in credit departments. These courses include those required for both the associate and full certificates. The Philadelphia Chapter, NIC, is promoting these courses under the leadership of Joseph A. Kennedy, Electric Storage Battery Co., chairman of the Educational Committee. The course in Credit and Collections is being taught by Wesley N. Jobe, Comptroller of Wm. Montgomery Co. Members of Temple Faculty are teaching the course in economics, accounting, business correspondence, business law, merchandising and marketing, and problems in credit.

J. M. Dean Heads Los Angeles Chapter Of Credit Institute

Los Angeles: The Los Angeles Chapter of the National Institute of Credit has elected officers for the year 1945-1946, as follows: J. M. Dean, District Manager, Standard Oil Co. of Cal., President; Kenneth Eastman, Credit Manager, Geo. S. Bailey Hat Co., 1st Vice-President; H. E. McManigal, Secretary, Summers Mfg. Co., 2nd Vice-President; Miss R. Andrews, Essick Manufacturing Company, Secretary and treasurer.

The Los Angeles Chapter is planning an extensive program for the coming year. The members believe now is the opportune time to encourage credit personnel to take advantage of the educational courses offered on credits.

Courses at Toledo "U"

Toledo: Arrangements have been completed for two courses for Toledo Credit Men at the University of Toledo. The first course started in September on "Credits and Collections," with a two-hour lecture every Tuesday. The second course, based on the correspondence problems of the "Credit and Collection Department," will be offered at the University of Toledo starting in January.

Brian Teaches at Baltimore

Baltimore: Evening courses in "Credit Management," started late in September at the Johns Hopkins University. These courses will include lectures on the theory and practice of credit, credit department work and function, aspects of the sales and credit departments, legal remedies of the creditor. George T. Brian, Jr., Noxema Chemical Co., a former president of the Credit Fraternity of Baltimore and now director of the Baltimore Association, will serve as instructor for these courses.

Philadelphians Will Hold 1-Day Conference On Postwar Credits

Philadelphia: The Credit Men's Association of Eastern Pennsylvania will hold an important one-day conference on November 1, 1945, at the Bellevue-Stratford Hotel. The entire credit fraternity of the Philadelphia district will be invited to participate.

The object of the conference is to develop conclusions regarding the big issues in trade and finance which face the country today.

Nationally known speakers have been invited to address the conference upon the subjects: "Bretton Woods Agreement," "Financing Foreign Trade," "Problems of Credit," "Labor Management Charter."

Symposium: "Economic and Social Council of the United Nations." Chairman, William L. Batt, president, SKF Industries, Inc.

The speakers include Wayne C. Taylor, president, Export-Import Bank of Washington; Henry H. Heimann, executive manager, National Association of Credit Men; Leroy D. Stinebower, deputy director, Office of International Trade Policy of the Department of State of the United States; Frank A. Waring, special assistant secretary, Department of Commerce of the United States, and Arthur Smithies, chief official analyst, Bureau of the Budget of the United States.

It is recognized that credit, domestic and foreign, is scheduled to play the leading role in rejuvenating commerce. There is a tendency evidenced, in an endeavor to stimulate trade and re-establish world markets, to overstep the dictates of sound judgment, and every precaution must be taken to prevent the adoption of any unwise policies.

The chairman of the Conference Committee is James V. Marron of the Yale & Towne Manufacturing Company.

Omaha "C" Men to Study Conversion At 1-Day Conference

Omaha: The Omaha Association of Credit Men will hold a one-day conference on Thursday, October 25. While the Omaha Association sponsored this conference alone, credit executives from Lincoln, Sioux City and Wichita have been invited to join the conference. The conference will discuss the postwar economic trend. Dr. Alfred P. Haake, economic consultant of Chicago, will be the speaker at the dinner session, which will close the conference.

E. B. Moran of the NACM national staff will speak at the luncheon meeting on "Sales and Credit Coordination." The conference will run all day with special time devoted to special industry groups.

Chicago Exporters Hear Publisher Tell of His Views on So. America

Chicago: "The South American Viewpoint" was the subject of an address before the Foreign Trade Credit Group of the Chicago Association of Credit Men at the regular monthly luncheon meeting of the group, Thursday, September 13, delivered by Ralph A. Colorado, director of Foreign Service of the Hitchcock Publishing Company of Chicago, publishers of foreign trade directories.

Mr. Colorado is a member of the group and has just returned from a two months' trip through South Ameriffica visiting all of the important markets. A native of Puerto Rico and a resident in South America for many years, Mr. Colorado had an exceptional opportunity to get the inside story of South America, interviewing not only business executives but also mingling with the people in cafes, on the beaches, in their homes, on street cars and trains.

H. P. Reader Again Heads N. Y. Adjustment Bureau

New York: Following the recent election of its directors, the Board of the New York Credit Men's Adjustment Bureau, Inc., met on September 20 and re-elected H. P. Reader of Cannon Mills, Inc., as its president for another term of one year. A. James Mill of Mill Factors Corp. was elected vice-president, a newly-created office, and Robert R. Jacobs of Shapiro Bros. Factors Corp. was elected treasurer to succeed Joseph Rubanow, who, although renominated, voluntarily retired because of other association duties.

N.Y.C.M.A. Members to Get Committee Reports

New York: President Felio has inaugurated a new feature in the form of flashes to all association members, outlining the program, aims and objects of the more than twenty-five association committees. As each committee meets to decide its course of action, these flashes will go forward so that all may be kept abreast of the activities.

More than six hundred members are serving on the standing committees of the association this year.

Final Golf Meet at Detroit

Detroit: The members of the Detroit Association of Credit Men engaged in their final golf tournament of the year on September 11 at the Grosse Ile Golf and Country Club. The committee in charge of this outing was headed by Ron. C. Krome of the Beecher, Peck & Lewis Co.

Chicago Banker Is Named President of Robert Morris Group

Kenneth K. DuVall, vice president of the City National Bank & Trust Company, Chicago, was named president of the Robert Morris Associates, a national organization of bank credit men, at its annual meeting held in Philadelphia on September 14.

Ernest E. Nelson, Brown Brothers Harriman & Co., Boston, was named first vice president, and Arthur L. Moler, vice president, Fifth-Third Union Trust Co., Cincinnati, was elected second vice president.

50th Anniversary of N.Y.C.M.A. to Be Marked In December Magazine

NEW YORK: December is the month selected by the Publicity Committee of the NYCMA for the issuance of the association's golden jubilee issue of *Credit Executive* celebrating its fiftieth year. Opportunity will be given to association members to insert special advertisements and arrangements will be made for those who desire to purchase additional copies of this special issue.

N.Y.C.M.A. Plans Three More Forum Luncheons

New York: Inspired by the success of its initial Victory Luncheon Forum on September 13, at which Henry H. Heimann was the principal speaker, the Public Meetings Committee of the NYCMA has submitted to President Earl N. Felio a program of similar meetings to be held in October, December and next March. These will be luncheon meetings with outstanding speakers and will be in addition to the annual association banquet which will be held in early February, 1946, in the evening.

In addition, the committee is considering the suggestion made by the Association's Insurance Group for the holding of a special clinic on insurance at which members of the insurance industry would act as the instructors and quiz-masters under a program specially prepared to acquaint credit executives with modern developments in insurance technique and coverage.

Seattle's Mayor Tells Of Conversion Plans

Seattle: Members of the Seattle Association of Credit Men at their September 17 dinner-meeting heard a very interesting talk by Mayor William F. Devin, of this city, who told of how Seattle plans for an expenditure of over thirty-seven million dollars during the immediate reconversion era. Mayor Devin also discussed the city problems as to jobs during reconversion.

Ray S. Shannon Named Co-Chairman of Fraud Committee in Milwaukee

Milwaukee: John Boedecker, president of the Milwaukee Association of Credit Men, announces the appointment of Ray S. Shannon of Weyenberg Shoe Manufacturing Company, Milwaukee, as chairman of the Fraud Preventeion Committee of the Milwaukee Association of Credit Men, and Robert L. Simpson, president of the National Association of Credit Men, has appointed Mr. Shannon as co-chairman on the National Fraud Prevention Committee.

Mr. Shannon is widely known in credit circles, having served as national director from 1936 to 1940 and throughout the years on various important national committees and as president of the local association and actively in many capacities. During the 38th Annual Convention, held in Milwaukee, in 1935, he was president of the Milwaukee Association of Credit Men, and was very active in the convention program and arrangements.

Credit, Collections to Feature Lecture Course In Chicago Association

Chicago: Following is the course in Credit and Collection Fundamentals of the Chicago Association of Credit Men under the auspices of the Educational Committee, of which George E. Hedman, Kester Solder Company, is the chairman:

September 24 — "Rehabilitating the Credit Department," E. B. Moran, National Association of Credit Men. "Foreign Credit," M. C. Hesse, Pearson Industrial Products Corp.

October 1—"Analyzing Credit Information," George B. Sturtz, Joslyn Mfg. and Supply Company. "Effective Collection Letters" (speaker to be announced).

October 8—"Financial Statements and Their Analyses," Allen Selby, Chicago Daily News, Inc. (Both sessions.)

October 15—"The Responsibility and Relationships in the Management of Credit," Emmett W. Below, Marathon Corporation, Menasha, Wis. "Current Trends Affecting Future Credit," R. L. Seaman, the Florsheim Shoe Company.

October 22—"Credit and the Law," William H. Hottinger, Jr., Bowey's, Inc. "Credit Psychology," D. R. Pershing, Dixie Cup Company.

October 29—Review and examination.

November 5—Complimentary dinner to the students.

Pittsburgh Zebras Meet

Pittsburgh: The Pittsburgh Herd of the Royal Order of Zebras held their annual meeting and election of officers at the Fort Pitt Hotel on Monday, September 24.

"A Credit Manager Talks To Salesmen" Is Title of Booklet by Miss Banks

Writing under the title, "A Credit Manager Talks to Salesmen," Miss Florence E. Banks, for a number of years Credit Manager of the Los Angeles Soap Company of Los Angeles, Cal., has issued a booklet in which she tells salesmen what they should know about credit. The material for this booklet was compiled by Miss Banks from talks given by her before groups of salesmen, branch house or district managers. Those interested in a credit manual for their salesmen should find this little booklet of special interest. Perhaps after looking over Miss Banks' booklet they may find that it will serve the purpose of a special manual of their own. Copies may be obtained by addressing Miss Florence E. Banks, 812 N. Normandie Avenue, Los Angeles 27, Cal.

Single copies are $1 each. Ten copies 75c. each and other amounts are at graduated prices up to 100 copies at 40c.

C. W. White, Former Natl. Director, Dies In Louisville, Ky.

Louisville: Members of the Louisville Association of Credit Men mourn the death of Charles W. White, Secretary of the Logan Company. He served as President of the Louisville Credit Men's Association during 1928-29, and in 1930 he was elected a Director of the National Association. For the past 15 years he has served on the Directorate of this Association and has accomplished much in his various assignments for this organization. He had served as Secretary of the Loan Company for 24 years.

Chicago Credit Men Hold Golf Tourney

Chicago: More than 225 members and guests of the Chicago Association of Credit Men enjoyed the annual all-day outing of the Association, Saturday, September 15, at the St. Andrew's Country Club. Golf was played during the day and in the afternoon the ladies had a bridge tournament in the spacious parlors. Dinner was served at 7 o'clock and there was dancing from 9 o'clock to midnight, to the music of Don West and his ever-popular "Crediteers."

Survey Shows Credit Losses Jumped 367% After First World War

During four years of conversion to peacetime production after the first World War, business failures jumped to 367 per cent of the 1919 total, according to a chart in *Credit Loss Control*, new booklet issued by the American Credit Indemnity Company of New York.

At first, the booklet points out, most of the American Credit loss payments were to policyholders in heavy goods fields, after which most of the losses paid grew out of failures in the field of consumer goods. Credit loss payments by American Credit in a single year after the first World War, 1922, reached 2035.5 per cent of loss payments in 1919.

American Credit Indemnity Company is distributing the booklet through its main office, First National Bank Building, Baltimore (2), Md., and its branch offices in 21 states and in Canada.

Forwood Added to Grand Rapids Staff

Grand Rapids: Secretary Edward DeGroot of the Grand Rapids Association of Credit Men announces a new staff member—Russel W. Forwood. Mr. Forwood will take charge of the Group, Committees, and Program Activities.

Mr. Forwood, who was formerly employed by the Consumers Power Company for 18 years, has been a member of the Association for many years. He worked on many committees, was a member of the Board and was President of the Association in 1935. His knowledge of the Association and his general acquaintance with its members well qualify him for the position of Assistant Secretary.

Natl. Paper Packagers Hold Session in Chicago

Chicago: Emmett W. Below, Marathan Corporation, Manasha, Wis., chairman of the National Paper Packaging Credit Group of the Chicago Association of Credit Men, presided at the meeting of the group at the Morrison Hotel, Chicago, Thursday, September 20. The morning session was taken up with reports and a round table discussion on the subject, "Will Credit Management Lose Its Professional Standing If Included in Trade Association Activities?" E. Wylie, Container Corporation of America, was the discussion leader.

Following luncheon, R. E. Pattison Kline spoke on "Effective Public Speaking," and Cecil Kincaid, treasurer of S. Karpen and Brothers, spoke on "G.I. Joe Buys a Business."

The National Construction Machinery Credit Group will hold a two-day session at the Drake Hotel, Chicago, Wednesday and Thursday, October 24 and 25.

Kurt J. Koebig Is Installed to Lead L. A. Credit Managers

Los Angeles: Ceremonies, inducting the new officers of the Los Angeles Credit Managers' Association, were held at the regular luncheon meeting of the association at the Biltmore Ballroom.

Retiring President Bryant Essick, Essick Manufacturing Company, introduced the new official family: President Kurt J. Koebig, Liquid Carbonic Pacific Corp.; First Vice-President R. D. Roberts, Union Oil Company of California; Second Vice-President J. Ashby, McKesson Robbins, Inc.; Treasurer H. J. McManigal, Summers Mfg. Co.; Secretary A. D. Johnson.

President Koebig said, "Our membership is well aware of the responsibilities that face credit management and through our association are prepared to accept their part in this critical reconversion period.

"Credit has played an important part in war and victory. It's role will be of greater importance in peace and future prosperity. The Credit man of yesterday has been superseded by the credit-sales executive of today."

Chicagoans Mourn Death of Ernest H. Burgess

Chicago: Ernest H. Burgess, 71, president of Endowco Wood Products, Inc., Chicago, passed away in St. Francis' Hospital, Evanston. His home was in Wilmette. For many years Mr. Burgess was general credit manager of the Edward Hines Lumber Company and was very active in local and national credit men's association circles. He was a director of the Chicago Association of Credit Men in 1922, first vice president in 1924 and president in 1925. He was particularly interested in association membership work. He is survived by his widow, two sons and two daughters.

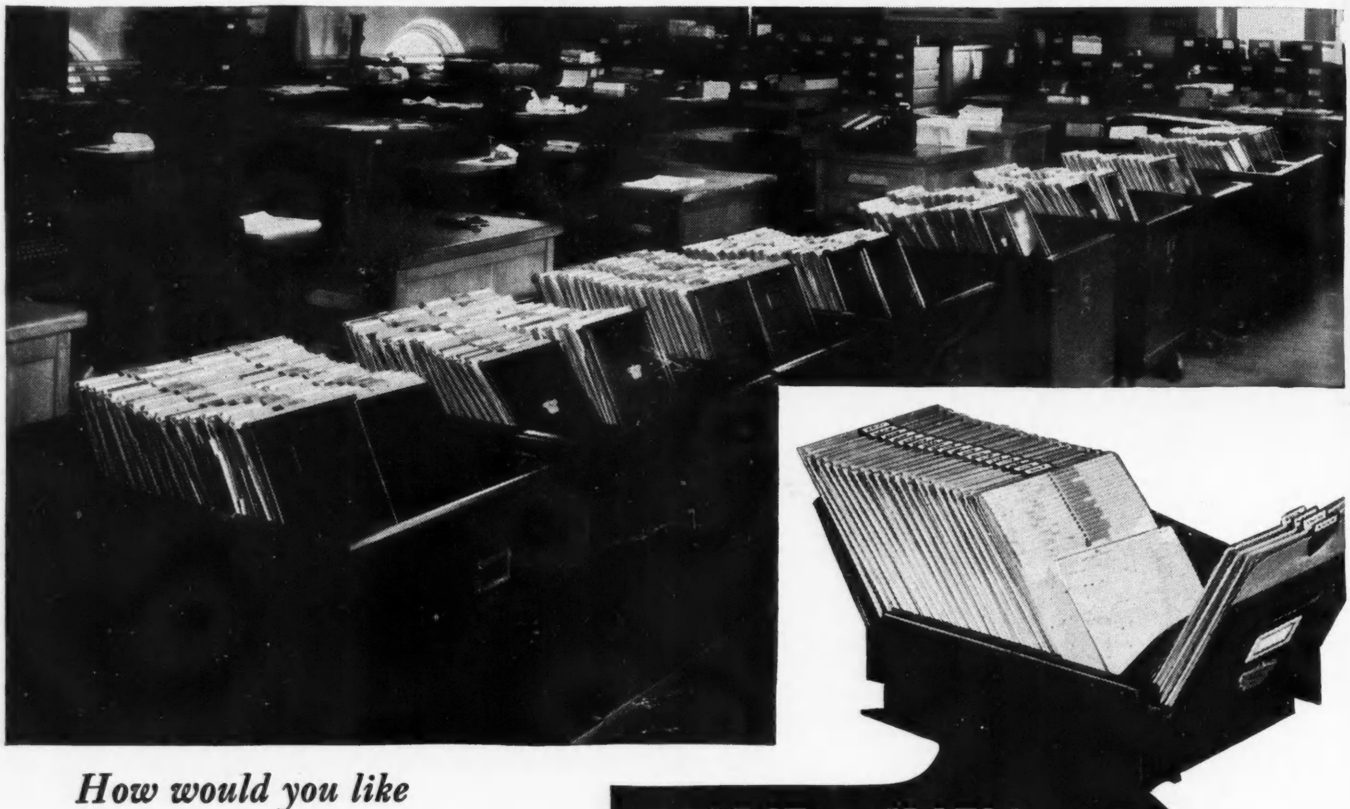
Positions Open

Position Open: Young man with knowledge of credits preferably with ability to handle an office, wanted by old established steel distributor. Here is an opportunity to become one of the top flight executives of this firm. Give full details. Write Credit and Financial Management, Box O-3.

Position Open: Wanted by national manufacturer of building materials, capable young credit man, college graduate, with some inside and outside experience. Box O-1, Credit and Financial Management.

Association Secretary Position Open: Position of Secretary for Class B Association will be open shortly. Duties include management of Interchange and Adjustment Bureaus. Applicants should give full details regarding qualifications. Box O-2, Credit and Financial Management.

These Truckers set a sizzling pace in handling ACCOUNTS RECEIVABLE



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